




Agro Tech Foods Limited





Board of Directors

Directors

I Troop	Chairman
D L Briffett	
H G Buffett	
Lt Gen D B Singh	
Sanjaya Kulkarni	
R Tandon	
K Vaidyanath	
(Alternate: S Sivakumar)	
T I Chudgar	Wholetime Director

Management Committee

U Sen Gupta	President
A Ahuja	Chief Financial Officer and Vice President
R Krishnamoorthy	Vice President – Integrated Supply Chain
K S Shyam	Head – Human Resources and Asst. Vice President
A Sinha	Vice President – Marketing & Sales

Company Secretary

T I Chudgar

Auditors

Lovelock & Lewes
Chartered Accountants
Hyderabad

Registered Office

31, Sarojini Devi Road
Secunderabad - 500 003
Andhra Pradesh
India
Website: www.atfoods.com

Registrars & Share Transfer Agents

Sathguru Management Consultants Private Limited
Plot No. 15, Hindinagar
Behind Shiridi Sai Temple
Punjagutta
Hyderabad - 500 034



Agro Tech Foods Limited

NOTICE TO MEMBERS

Notice is hereby given that the Nineteenth Annual General Meeting of the Members of Agro Tech Foods Limited will be held on Friday the 28th July, 2006 at 10.00 A.M. at Residency Hall, Hotel Green Park, Greenlands, Hyderabad – 500 016, Andhra Pradesh to transact the following businesses:

ORDINARY BUSINESS

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006 and the Profit and Loss Account for the year ended on that date and the Report of the Directors and Auditors thereon.
2. To appoint a Director in place of Lt Gen D.B. Singh, who retires by rotation and, being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. K. Vaidyanath, who retires by rotation and, being eligible, offers himself for reappointment.
4. To appoint Auditors and to fix their remuneration. M/s. Lovelock & Lewes, the retiring Auditors are eligible for reappointment.

SPECIAL BUSINESS

5. To consider and if thought fit to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:
 - I. "RESOLVED that approval be and is hereby granted to the 'Agro Tech Foods Limited (ATFL) Employee Stock Option Plan'."
 - II. "RESOLVED FURTHER that for the purpose of giving effect to the above Resolution, the Board, Remuneration / Compensation Committee or any Committee of the Board be and is hereby authorised to do all such deeds, matters and things and execute all such deeds documents and writings as it may in its absolute discretion deem necessary and incur expenses in relation thereto."
 - III. "RESOLVED FURTHER that shares may be allotted in accordance with the Plan, directly to the employees or through a Trust

which may be set up to enable the employees/Trust to acquire, purchase or subscribe to the shares of the Company."

- IV. "RESOLVED FURTHER that the Board, Remuneration / Compensation Committee or any Committee of the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise in relation to the implementation of the Plan, including to amend or modify any terms thereof in accordance with and subject to all applicable SEBI guidelines, without being required to seek any further approval or consent of the members."
- V. "RESOLVED FURTHER that the Plan be operated by the Board, Remuneration / Compensation Committee or any Committee of the Board such that the total number of shares issued do not exceed 5% of the issued and subscribed share capital of the Company."
6. To consider and if thought fit, to pass, with or without modification, the following Resolution as a SPECIAL RESOLUTION:

"RESOLVED that pursuant to the Provisions of Sections 198, 269, 309, 310, 314 read with Schedule XIII thereto and other applicable Provisions, if any of the Companies Act, 1956 or any amendment or modification or re-enactment thereof, and subject to such approval or consents including the Central Government as may be necessary or required, the appointment of Mr. Arvind Ahuja as Wholtime Director of the Company for a period of Three years with effect from 30th July, 2006 on such salary and perquisites as have been set out in the Explanatory Statement attached to the Notice convening this Annual General Meeting a copy where of initialled by the Chairman for the purposes of identification is placed before this Meeting, be and the same is hereby approved, with such modifications as may be required by any applicable law and as may be agreed to by the Board of Directors of the Company and Mr Arvind Ahuja."



Agro Tech Foods Limited

BOOK CLOSURE

The Register of Members and Share Transfer Books of the Company shall remain closed from Friday 21st July, 2006 till Friday 28th July, 2006 (both days inclusive).

Dated: 22nd June, 2006

Registered Office:
31, Sarojini Devi Road,
Secunderabad-500 003
Andhra Pradesh
India.

By Order of the Board
For **Agro Tech Foods Limited**

TUSHAR CHUDGAR
Secretary

NOTES:

1. In accordance with the Provisions of Section 173 of the Companies Act, 1956 and the Listing Agreements an Explanatory Statement in respect of item Nos. 5 and 6 being items of Special Business is annexed.
2. A member entitled to attend and vote on a poll is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies in order to be effective must be received by the Company not less than forty eight hours before the Annual General Meeting.
3. Members are requested to bring their copies of the Reports and Accounts to the Meeting.
4. Members are requested to notify any change in their address immediately to the Company's Registrars and Transfer Agents, Sathguru Management Consultants Private Limited, Plot No. 15, Hindinagar, Behind Shiridi Sai Temple, Punjagutta, Hyderabad - 500 034.



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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956 AND THE LISTING AGREEMENT.

Item No. 5

The Board of Directors reviewed the structure and competitiveness of the employee compensation of the Company. The current compensation structure does not have any component in the nature of long term incentive. Compensation best practices indicate that stock based long term incentive plans align managerial performance to long term shareholder value creation as well as build a sense of ownership among the employees. Several comparable Companies have stock option plans which reward employees significantly. In order to build ownership, motivate and retain talent as well as make compensation competitive, the Board recommends institution of an Employee Stock Options Scheme.

The ATFL Employee Stock Option Plan envisages grant of share options to eligible employees at market related prices.

The terms of the Plan are as follows:

Eligibility: The Scheme will be applicable to all employees. The Remuneration / Compensation Committee will at the beginning of each financial year determine the specific employees or class of employees who will be eligible for award.

Frequency of Grant: The grants may be made at such frequency as considered appropriate by the Remuneration / Compensation Committee keeping in view the competitive compensation scenario, the talent market and such other factors as may be relevant.

Award Size Criteria: The total number of options to be granted at any time as well as the number of options to be granted to an individual employee will be based on performance and/or such other criteria as may be determined by the Remuneration / Compensation Committee.

Exercise Price: The exercise price shall be the fair market value at the time of grant. The Remuneration / Compensation Committee shall determine the fair market value in line with SEBI guidelines and any other applicable guidelines.

Vesting: The vesting period and the schedule of vesting may be determined by the Remuneration / Compensation Committee at the time of grant in line with SEBI guidelines.

Option Term: The options will have a maximum term of 10 years from the date of grant. Any options not exercised within this period shall lapse.

Source of Shares: The scheme shall not result in fresh issue of shares. The shares required to meet the exercise of options will be obtained from secondary market purchases through a trust to be set up for this purpose.

Total Number of Options to be Granted: The total number of options granted under the scheme shall not cumulatively exceed 5% of the issued and subscribed equity capital of the Company.

Minimum Holding Requirement: All participants will be required to hold a portion of the options exercised for the period of their employment with the Company. The quantum of minimum holding will be determined by the Remuneration / Compensation Committee.

Terminal Conditions: The Remuneration / Compensation Committee shall determine the treatment of unvested and vested options in the event an employee leaves the employment of the Company in line with SEBI guidelines.

Administration of the Scheme: The Remuneration / Compensation Committee shall be responsible for administering the scheme and compliance with the SEBI Guidelines and any other applicable guidelines, rules or regulations.

Accounting: The Remuneration / Compensation Committee shall determine from time to time the valuation and accounting methodology for the options issued under this scheme. In case the Company calculates the employee compensation cost using the intrinsic value of the stock option, the difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognised if it had used the fair value of the



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options, shall be disclosed in the Directors' Report and also the impact of this difference on profits and on EPS of the Company shall be disclosed in the Directors' Report.

Interest of Directors

None of the Directors of the Company are concerned or interested in the proposed Resolution.

The member's approval is sought for the ATFL Employee Stock Option Plan. The plan will be available for inspection by the members on any working day from 21st July, 2006 to 28th July, 2006 between 9.00 AM to 5.30 PM at the Registered Office of the Company.

Your Directors recommend the Resolution for your approval.

Item No. 6

The Board of Directors on the recommendation of the Remuneration / Compensation Committee recommended for approval of the members, the appointment of Mr. Arvind Ahuja as Wholetime Director of the Company for a period of Three years with effect from 30th July, 2006 on the following remuneration:

(i) Salary:

Rs. 127,555/- per month with annual increments (which in accordance with the Rules of the Company is 1st July every year) up to a maximum of 25% with liberty to the Board of Directors to sanction such increase as it may in its absolute discretion determine, provided that the salary does not exceed the remuneration stipulated above.

(ii) Perquisites:

In addition to the aforesaid Salary, Mr. Arvind Ahuja shall be entitled to perquisites like gas, electricity, water, furnishings, medical reimbursement and leave travel concession for self and family, club fees, personal accident insurance, etc in accordance with the Rules of the Company, the monetary value of such perquisites being limited to Rs. 2,600,000/- per annum, for the purposes of which limit perquisites shall be evaluated as per Income

Tax Rules, wherever applicable, and in absence of any such Rule, perquisites shall be evaluated at actual cost. However, the following shall not be included in the aforesaid perquisite limit:

- a. Rent free furnished accommodation owned/ leased / rented by the Company or Housing Allowance in lieu thereof, as per the Rules of the Company.
- b. Contribution to Provident Fund and Superannuation Fund upto 27% of salary and contribution to Gratuity Fund upto 5% of salary as defined in the Rules of the respective Funds, or upto such other limit as may be prescribed under the Income Tax Act, 1961 and the Rules there under for this purpose.
- c. Gratuity payable at the rate not exceeding half a month's salary for each completed year of service.
- d. Use of Company car for official purposes and telephone at residence (including payment for local calls and long distance official calls).
- e. Encashment of unavailed leave as per the Rules of the Company at the time of retirement/ cessation of service.
- f. Long service award as per the Rules of the Company.
- g. Costs and expenses incurred by the Company in connection with joining/transfer from one location to another as per the Rules of the Company.

(iii) Minimum Remuneration:

In the event of loss or inadequacy of profits in any year during the period of his appointment, Mr Arvind Ahuja will be paid remuneration including perquisites as per Schedule XIII of the Companies Act, 1956 or such other limit as may be prescribed under the Companies Act from time to time.

Mr. Arvind Ahuja will not be entitled to any sitting fee for attending Meetings of the Board or of any Committee thereof.

The aforesaid appointment and remuneration payable to Mr. Arvind Ahuja may be further varied, altered or modified as may be agreed



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to by the Board of Directors and Mr. Arvind Ahuja, in the light of any amendment/modification of the Companies Act or any re-enactment thereof within the limit prescribed under Schedule XIII of the Companies Act, 1956.

Mr. Arvind Ahuja is the CFO and Vice President of your Company. He is a Chartered Accountant and Cost Accountant with more than 23 years of experience in Industry. He joined the Company in December, 1998 as Commercial Controller for Branded Edible Oil business and has held various positions in the Company's Finance and Commercial Functions. He was General Manager – Corporate Finance before his current responsibility.

He was appointed as CFO and Vice President of the Company in May, 2003. He holds responsibility for the Company's Finance, Legal and IT function. Before joining Agro Tech Foods Ltd., Arvind Ahuja has worked in various capacities in finance and accounts functions in a leading MNC in FMCG and has worked overseas for 6 years.

He has made several significant contributions to the Company's growth and implementation of investment plans and business strategies and

restructuring. His contributions have been made invaluable. In recognition of his accomplishments the Board of Directors has appointed him as Wholtime Director for a period of Three years from 30th July, 2006 subject to approval of the Shareholders. Your Directors consider that it would be appropriate and desirable to appoint him as his rich experience will be beneficial to the Company. The Board has no hesitation in commending his appointment. Mr. Arvind Ahuja continues to hold office as CFO and Vice President. As appointment and remuneration are subject to compliance with the requirement of Section 314 and other applicable Provisions of the Companies Act, 1956 your Directors commend passing of the Special Resolution set out in the Notice of the Meeting.

Interest of Directors

Excepting Mr. Arvind Ahuja, who is interested in his appointment and the remuneration/minimum remuneration payable to him, no other Director of your Company is concerned or interested in the said Resolution.

This may be treated as his memorandum issued pursuant to the Provisions of Section 302 of the Companies Act, 1956.

Dated: 22nd June, 2006

Registered Office:
31, Sarojini Devi Road,
Secunderabad-500 003
Andhra Pradesh
India.

By Order of the Board
For **Agro Tech Foods Limited**

TUSHAR CHUDGAR
Secretary



Agro Tech Foods Limited

ADDITIONAL INFORMATION ON DIRECTORS RECOMMENDED FOR APPOINTMENT OR SEEKING ELECTION AT THE ANNUAL GENERAL MEETING

Following is the bio-graphical data about the Directors seeking re-election or recommended for appointment as a Director:

Lt. Gen. D.B. Singh

Lieutenant General D.B. Singh, PVSM, AVSM is a retired General Officer of the Indian Army. He was commissioned through the prestigious National Defence Academy and rose to virtually the senior-most rank in the Army.

A qualified engineer with management skills, Lt. Gen. Singh has held multifarious assignment in the Indian Army. He is a graduate of the Defence Services Staff College and the National Defence College. He was awarded the prestigious awards of Param Vishisht Sewa Medal and Ati Vishisht Sewa Medal by the President of India for exemplary service. After retirement from Defence Services on 31st May, 2001, he was President of an engineering concern manufacturing EOT cranes and construction equipment for two and half years. The General is presently engaged in consultancy services on re-structuring services for logistics and engineering support.

K. Vaidyanath

K. Vaidyanath was inducted into the Agro Tech Foods Ltd. Board on 7th March, 2001. He is an Executive Director on the Board of ITC Limited and holds responsibility for ITC's Finance & IT functions, its Investment Subsidiary, Agri Business and Corporate Communications. Before his elevation to the ITC Board he was the Company's Chief Financial Officer.

An MBA from XLRI, Jamshedpur, Vaidyanath has been with ITC for the past 30 years. He has held various positions in the ITC's Finance function including that of Head of Finance of ITC's Packaging, Hotels and International Businesses. He has also been Head of Corporate Planning & Treasury, as well as Internal Audit.

Vaidyanath is a Director on the Board of ITC Infotech India Ltd., among others. He is also a Committee Member of The Bengal Chamber of Commerce and Industry. He was adjudged one of the best CFOs in the Country on a survey conducted by Business Today Magazine in 2005.

Arvind Ahuja

Mr. Arvind Ahuja is the CFO and Vice President of your Company. He is a Chartered Accountant and Cost Accountant with more than 23 years of experience in Industry. He joined the Company in December, 1998 as Commercial Controller for Branded Edible Oil business and has held various positions in the Company's Finance and Commercial Functions. He was General Manager – Corporate Finance before his current responsibility.

He was appointed as CFO and Vice President of the Company in May, 2003. He holds responsibility for the Company's Finance, Legal and IT function. Before joining Agro Tech Foods Ltd., Arvind Ahuja has worked in various capacities in finance and accounts functions in a leading MNC in FMCG and has worked overseas for 6 years.



REPORT OF THE DIRECTORS AND MANAGEMENT DISCUSSION & ANALYSIS

Your Directors hereby present their Annual Report, together with the audited accounts of the Company for the financial year ended March 31, 2006.

FINANCIAL RESULTS

The summarised financial results are:

	(Rs. Millions)	
	2005-2006	2004-2005
Turnover	9,379	10,423
Total Expenditure	9,217	10,327
Operating Profit	162	96
Other Income	17	61
Profit before Interest/Finance Charges & Depreciation	179	157
Interest/Finance Charges	39	62
Depreciation/Amortisation	23	24
Profit Before Deferred Taxation / FBT / MAT	117	71
Profit After Taxation	101	90
Extraordinary Item	56	89
Net Profit after Extraordinary item	45	1

Your Company reported a turnover of Rs. 9,379 million, which is down by 10% as compared to last year. This is primarily on account of Bulk and Processed Commodities (BPC) segment scaling down part of its activities in the low margin and volatile lines.

The Company achieved underlying profit before tax and extraordinary item of Rs. 117 million for the financial year ended March 31, 2006 as compared to Rs. 71 million in the previous year.

As against the net profit after tax of Rs. 1 million achieved in the previous year, profit after tax for the financial year ended March 31, 2006 is higher at Rs. 45 million after considering the following:

- The Company had incurred settlement cost of Rs. 430 million for exiting licence arrangement in respect of Mantralayam Undertaking. The settlement cost was to be amortised on the basis of enduring benefits expected in the future due to decentralisation of manufacturing operations. These enduring benefits were reviewed and as the benefits received so far

exceed the settlement cost, it was decided to fully charge off the balance unamortised cost in the 3rd quarter. This resulted in total charge on account of this extraordinary item of Rs. 250 million, which is higher by Rs. 160 million than the previous year's charge of Rs. 89 million. Accordingly, there will be no more extraordinary cost in subsequent years on account of settlement cost in respect of Mantralayam and the results of the Company will reflect true operating performance.

- Charge for Current Tax, Fringe Benefit Tax and Deferred Tax of Rs. 17 million against credit of Rs. 19 million i.e. net variation of Rs. 36 million.

The significant events during the year were:

- The business continued initiative to strengthen the Sundrop brand by focusing its 'Heart' variant on the heart health platform. The activities included brand endorsement by a well-known celebrity, doctors' detailing, communications on world heart day, etc. This had a positive impact on Sundrop brand in general and its 'Heart' variant in particular.
- Sundrop Nutrilite with 100% Soyabean oil improved its salience in the market. Sundrop Nutrilite is marketed with competitive pricing along with initiatives to improve visibility and distribution and consumer offers.
- Overall spends behind the Sundrop brand was increased during the year.
- Cost saving measures through improved supply chain helped competitive pricing of Sundrop as well as improved margins.
- The above activities helped Sundrop brand to grow by 9% despite decline in sales to the armed forces canteens due to disruption caused by temporary withdrawal of sales tax benefits and introduction of VAT. As the market also grew strongly, Sundrop by and large maintained its market share. YTD March 2005-2006 share was 8.6% vs 8.8% in the corresponding period of the previous year.
- Rath volumes and margins came under pressure during the year due to overall sluggishness in the market. The year also



witnessed an anomaly whereby the Government signed FTAs with neighboring countries under which a finished product such as vanaspati could be imported at nil customs duty while its major input, Crude Palm Oil, attracted 80% customs duty. Cost reduction achieved through imports helped in improving Rath margins during the last quarter of the year. The year ended with overall volume reduction of Rath small and bulk pack by 5%, approximately in line with de-growth of the Vanaspati consumer pack market.

- During the year, ACT II IPC (Instant Popcorn) and Microwave popcorn offerings grew by 45%. This growth has been driven by a number of factors including increased availability riding on the growth of modern trade and sales promotion activities including demos and sampling. The year proved to be a useful learning experience in understanding the snacks market.
- The popcorn vending business has shown promising growth in volume. Growth has been driven by conversion of multiplexes and amusement parks to ACT II vending popcorn.
- Efficient sourcing by Bulk and Processed Commodities (BPC) for branded business helped in improving the bottom line. An initiative to restructure the portfolio of this segment was initiated to reduce risk and move toward a sustainable and more profitable portfolio. While this has resulted in reduction in turnover for the year, the changed portfolio will be more in line with the strategic focus and risk appetite of your Company.

MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)

Based on feedback from members on the Annual Report and Accounts, this report includes MD&A as appropriate so that duplication and overlap between the Directors’ Report and a separate MD&A is avoided and the entire material is provided in a composite and comprehensive document.

INDUSTRY STRUCTURE & DEVELOPMENTS

The year saw volatile price movements in the oilseeds market after taking off on a high note in April 2005. Concern on availability kept the price table high in the first half of the year. During the second half, bountiful production in all crops – sunflower, soyabean and palm, brought down the

price levels significantly. International prices of Sunflower oil in particular, experienced fall compared to the last three years. Consequently, import of sunflower oil became attractive for some time. It was particularly lucrative for port-based refineries to import sunflower oil. While overall Indian monsoon was ‘normal’, the distribution was weak and delayed. This led to delay in arrival of kharif oilseeds. However, the domestic edible oil price table remained depressed on account of a weak international market.

An emerging price driver was increase in use of edible oils for bio-fuel. The price trend during the first half was a reflection of this factor. It is expected that in the coming years, use of oils for bio-fuel will be significant determinant of edible oil prices.

Sizeable quantities of vanaspati continued to pour in from Sri Lanka and Nepal under FTAs. This has adversely affected the competitiveness of domestic vanaspati manufacturing operation. The industry is contesting such imports and agitating to moderate its impact.

The government did not make any change this year in the import duties and other tariff regime to provide stability to the edible oils industry. Further, the announcement of tariff values has been disciplined to reduce uncertainty. However, disparity in customs duties between soyabean and other oils continues, where soyabean oil enjoys the preferential import duty of 45%.

While the edible oil industry witnessed good growth in packaged refined oils, domestic oilseed production and therefore edible oil availability continues to stagnate. Import of edible oils has not declined and remained at about 5.0 million tons. Last year saw more soyabean oil coming into the country primarily on account of price parity in favour of soyabean oil.

VAT was adopted by most states from April 2005 and five more states implemented VAT from April 2006. This was a welcome move. It is expected that VAT will help increase compliance. State governments are already experiencing the benefits in terms of higher tax collection post introduction of VAT.

BUSINESS FOCUS AND DIRECTION

2005-06: First Step in Transition:

The objectives of your Company for the year under reference was to improve profitability of the Company’s portfolio, reduce risk and strengthen



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the balance sheet to help sustain growth. A series of initiatives were implemented to support Sundrop brand while promoting the Heart variant. This included brand endorsement by a well known celebrity, followed by a commercial to communicate a tie-up between Sundrop Heart and a well known heart-care hospital, in which your Company contributed Re. 1 for every litre of Sundrop Heart sold during the period of the tie up for the benefit of heart patients. These initiatives were augmented at the ground level through activities in the market, including health check-ups and an increase in overall sales and marketing spends on the brand.

These activities were supported by competitively pricing Sundrop variants. This was achieved by passing on to consumers part of the cost savings generated through streamlining the supply chain. This helped Sundrop hold its position in the highly competitive edible oils market and cause it to grow year-on-year by 9%. The cost saving initiatives also helped strengthen Sundrop margins. But for disruption caused in supplies to the armed forces canteens in the aftermath of withdrawal of sales tax benefits and introduction of VAT, growth of the brand could have been still better.

Efforts to position ACT II as a snack brand continued. Though the Ready-to-eat (RTE) snacks initiative under ACT II started last year did not yield desired results, it had a healthy impact on the ACT II popcorn business. ACT II popcorn is being sold in three formats, viz Microwave Popcorn, Instant Popcorn and Vending of Popcorn. All formats grew handsomely, ranging from 36% to 52%.

Crystal was re-launched in focus markets where supply chain initiatives have helped achieve cost competitiveness. A new pack with a window, supported by media, display activities and benchmarked pricing, helped Crystal to increase volume in these focus markets.

Rath came under pressure due to FTAs signed by the government with neighbouring countries, which caused finished products to be imported at nil customs duty, while inputs such as crude palm oil continued to attract higher customs duty at 80%. This resulted in adverse impact on the volume and margin of Rath during the first three quarters of the financial year. Suitable measures, including import from Sri Lanka were initiated thereafter, which have started yielding desired results from the last quarter.

The BPC segment continues to provide quality raw materials at competitive prices to the Branded

Foods business of the Company. Restructuring the portfolio of this segment has been started during the year to focus on value added lines, which will lead to a more sustainable portfolio with better margins and lower risk. The process involved risk evaluation of each line of activity, resulting in shedding of some of the lines with high risk.

Subsequent to approval by the Board of Directors, sale of the Company's investment in the equity shares of Advanta India Limited was completed on 31st July 2005. With the sale of this non-strategic investment, your Company received Rs. 288 million, which improved cash flows. It also resulted in a one-time gain of Rs.193 million, which has been reflected as an extraordinary income. The significance of this transaction is:

- Recognition of this income has significantly strengthened the key balance sheet ratios (e.g. Debt-Equity Ratio, Net Worth, Interest Cover, etc), providing requisite comforts to all stakeholders in your Company.
- Improved ratios have also enhanced your Company's ability to undertake investments for future growth.
- The cash inflow has reduced borrowing levels as well as resultant interest cost.

ConAgra Foods Inc., which held two-thirds share in CAG-Tech (Mauritius) Ltd., acquired the balance one-third share from Tiger Brands. This resulted in CAG-Tech (Mauritius) becoming a 100% ConAgra Foods Company. CAG-Tech, which held 51% shares in your Company, sold 3% shares in the markets resulting in reduction of its share to 48.1%. With these changes ConAgra's effective holding in your Company has increased from 34% to 48%.

2006-07 – Strengthening the Brands & business portfolio:

With a stronger balance sheet and fully amortised Mantralayam settlement cost, your Company plans to continue to grow its businesses profitably along the following lines:

Branded Foods Business

Sundrop

The strategy is to strengthen the Sundrop brand and leverage each of its variants in their relevant segments. Sundrop as a brand will continue to stand for 'the healthy oil for healthy people'. Its lead variant, SuperLite, will compete aggressively in the branded oils market with an improved cost



structure. Effort will be to further improve market share in the heart care segment through Sundrop Heart and NutriLite, a 100% soya variant, will compete effectively in the soya oil markets of the north and east. In addition, your Company will continue to explore opportunities for new value-added variants that add to the Sundrop proposition and address unmet consumer needs.

Crystal

The strategy continues to be building preference for the brand through targeted marketing activities in selected focus markets to partake in the rapidly growing economy priced segment. The choice of focus markets will depend on the Company’s ability to develop cost competitive supply chains in those markets.

Rath

In view of declining trend in the vanaspati market, your Company will continue to focus on improving cost competitiveness to maintain margins in a very competitive market. Volume will be driven in specific towns/areas through trade related activities. The sourcing strategy of Rath will be flexible, to remain aligned with changing fiscal policies of the states and the center.

ACT II

The major focus in ACT II will be to strengthen and expand the popcorn offerings, including the vending operation. The growth seen in Instant and Microwave Popcorn will be strengthened by increased availability and visibility riding on the growth of modern trade. Consumer activities will focus on demonstrations, direct contacts and sampling, in line with the international success model. It is expected that activities on the ACT II franchise – Microwave, IPC and Vending – will act synergistically to further strengthen and develop the brand. Expansion in the formats is also being evaluated to provide more choice to consumers, thereby strengthening ACT II.

Bulk and Processed Commodities Business

The Bulk and Processed Commodities business will continue to focus on providing the Branded Foods segment with consistent quality raw materials at competitive prices. Restructuring the portfolio of this segment will focus on value added lines, which will lead to a more sustainable portfolio with better margins and lower risk.

Building for the Future

Further to the efforts undertaken by each of the business segments, the Company as a whole will also focus on the following initiatives, which will improve performance in the short term and enhance capabilities for future profitable growth.

1. Sales and Distribution

The objective of the Sales and Distribution system of the Company is to provide it a sustainable competitive advantage. An initiative to restructure the system to provide improved service to customers and strengthen presence of your Company’s products in a fast-changing retail environment has commenced. An important objective of the exercise is to reorient the Company’s distribution system, which was originally designed to cater to the grocery trade, to address the needs of the snacks business.

A collaborative Company-wide initiative between the supply chain function and sales and distribution, Project LINK (Let’s INtegrate our Knowledge), is intended to integrate processes from raw material sourcing through manufacturing, up to the customer. This will use the IT and communications infrastructure of ATFL and is designed to improve customer service, increase sales, and reduce total supply chain cost. Project LINK has been tested in selected markets for over a year and a phased roll out to all regions has commenced.

2. Integrated Supply Chain

Bringing together activities such as manufacturing, logistics and purchasing under an Integrated Supply Chain function helped your Company to focus on total supply chain cost in a holistic manner. The planned restructuring of manufacturing locations were completed during the year and have yielded desired result of improved cost competitiveness of the edible oils and fats business. Consolidation of the oils and fats manufacturing locations for both Branded Foods and Bulk & Processed Commodities provided synergies, improved quality and reduced complexity and number of manufacturing locations.

A new initiative for manufacturing Instant Popcorn (IPC) in an excise-exempt location in



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Uttaranchal was successfully completed in February 2006 and will provide significant savings.

Improved forecasting processes were used with the help of contemporary technology to enhance service levels while reining in inventories.

A bench-marking study is planned to generate fresh ideas for initiatives that will further improve cost competitiveness of products and improving service level to customers. This is intended to supplement already planned initiatives for implementing automated Demand Planning System, Dynamic Routing Solution, Depot Rationalisation, etc. Your Company is also looking at extending the Supply Chain function to include commodity sourcing.

3. IT Initiatives

Your Company continues to upgrade its abilities in this dynamic sector through absorption of new developments to support business initiatives. The objective is to improve the quality of information and agility of decision-making throughout the organisation. This is helping the organisation by facilitating better understanding of markets/consumers, improved customer service and better cost control.

Your Company completed Phase-II of the IT Strategy in January 2004. It included providing solutions to the integrated Supply Chain initiatives, which synchronized the downstream and upstream links of the Supply Chain. It enabled optimum utilisation of the Oracle functionalities for materials planning, scheduling and product costing. Implementation of Phase-III of the IT strategy was completed in January 2006 by successfully re-engineering business processes and upgrading the Oracle version to improve process, control and integrity of data, coupled with agile responsiveness to business requirements. During the coming year, emphasis will be to integrate and implement the solutions for Human Capital Management and Customer Relationship and Intelligence.

4. VAT Implementation

VAT replaced the erstwhile Sales Tax Act in 22

states with effect from 1st April, 2005 and in 5 more states from 1st April, 2006. The supply chain, sales and finance teams worked together to successfully adapt to the change. Recent changes in the Company's manufacturing and distribution strategy are compatible with the post-VAT scenario.

5. Human Resources

Your Company aspires to be the most preferred equal-opportunity employer amongst companies in similar business. The Human Resource Policy aims to attract and retain the best talent in the industry. Your Company's practice of hiring talent from India's best management schools and from reputed organisations is designed to give a competitive advantage to the business. Initiatives include improved communications, streamlined systems for performance management and training and development activities to improve competencies in key functional areas. Your Company has documented and implemented a Code of Conduct and appropriate HR Policies to provide an open yet challenging environment for new-generation professionals to contribute their best for the Company's performance.

To meet its responsibilities to the community, your Company runs a programme called Feeding Children Better. Its objective is to provide one nutritious meal to economically disadvantaged children in select schools across the country. This programme will be expanded in line with improvement in the Company's financial performance.

ADVANTA INDIA LTD.

Your Company has disinvested its equity stake in Advanta India Limited on 31st of July, 2005. The financial statements of Advanta India Limited upto this period have been consolidated in compliance with the Accounting Standard 21 and 27 on Consolidated Financial Statements and Financial Reporting of interests in Joint Ventures issued by the Institute of Chartered Accountants of India.

SEGMENT WISE PERFORMANCE

As mentioned earlier, your Company has identified



Agro Tech Foods Limited

two segments in line with Accounting Standard on Segment Reporting (AS-17). These are:

- **Branded Foods**, which includes products sold under the brands of Sundrop, Crystal, Rath, Sudham, Healthy World and Act II, and
- **Bulk & Processed Commodities**, which includes oils, oil seeds, grains and other commodities procured, processed and sold by the Commodity Sourcing & Exports and Food Service business of the Company.

The audited financial results of these segments for the year ended March 31, 2006 are:

Segment-wise Revenue, Results and Capital Employed

(Rs. Millions)

S. No	Particulars	2005-06	2004-05
1	Segment Revenue		
	a) Branded Foods	4,877	5,103
	b) Bulk & Processed Commodities	5,977	7,169
		10,854	12,272
	Less: Inter Segment Revenue	1,475	1,849
	Sales from Operations	9,379	10,423
2	Segment Results		
	Profit/Loss before Tax and interest from each segment		
	a) Branded Foods	156	159
	b) Bulk & Processed Commodities	87	(21)
		243	138
	Less:		
	i) Interest (Net)	39	62
	ii) Other Un-allocable Expenditure net off un-allocable Income	87	5
	Total Profit Before Tax	117	71
3	Capital Employed		
	Segment Assets-Segment Liabilities		
	a) Branded Foods	329	296
	b) Bulk & Processed Commodities	461	277
	c) Other unallocable net assets	12	184
	Total Capital Employed	802	757

INTERNAL CONTROL SYSTEMS AND ADEQUACY

Your Company continues to maintain high standards of internal controls designed to provide accuracy of information, efficiency of operations and security of assets.

The Company has an adequate system of internal controls commensurate with the size and nature of its operations, to ensure orderly and efficient conduct of business. These controls ensure the safeguarding of assets, prevention and detection of fraud and error, accuracy and completeness of the accounting records, timely preparation of reliable financial information and adherence to the Company's policies, procedures and statutory obligations.

Your Company has, during the year, taken further steps to improve internal control environment. Some of the important steps include:

- Compilation and dissemination of a comprehensive Code of Conduct for the Board Members and employees of your Company
- Whistle Blower Policy defined to provide channel of communication without fear
- Introduced comprehensive framework for Risk Management
- Implemented CEO/CFO Certification for Financial Reporting Controls to the Board

The Company has reappointed Deloitte Haskins & Sells as its Internal Auditor to ensure the adequacy of internal control systems and make recommendations thereto. Audit reports are circulated to management, which takes prompt action as necessary.

The Audit Committee of the Board meets periodically to review the performance as reported by Auditors. The External Auditors also attend the Meetings and convey their views on the adequacy of internal control systems as well as financial disclosures. The Audit Committee also issues directives and/or recommendations for enhancement in scope and coverage of specific areas, wherever felt necessary.

CAUTIONARY STATEMENT

Statements in this Directors' Report and Management Discussion and Analysis describing the Company's objectives, projections, estimates and expectations may constitute "forward looking statements" within the meaning of applicable laws and regulations. Actual results may differ materially from those either expressed or implied.

DIVIDEND

In view of carry-forward losses, your Directors are unable to recommend any dividend this year.



DIRECTORS

Mr. R.V. Smither who represented interests of CAG-Tech (Mauritius) Limited resigned as a Director with effect from close of business hours on 7th February, 2006 consequent upon Tiger Brands selling its equity in CAG-Tech (Mauritius) Limited to ConAgra Foods Inc.

The Directors place on record their appreciation of the valuable services rendered and wise counsel given by Mr. R.V. Smither during his tenure of office as a Director.

In accordance with the Provisions of Article 143 of the Articles of Association of the Company, Lt. Gen. D.B. Singh and Mr. K. Vaidyanath retire by rotation and being eligible, offer themselves for re-appointment. A brief profile of these Directors is given in the notice of the 19th Annual General Meeting.

AUDITORS

M/s. Lovelock & Lewes, Chartered Accountants, Statutory Auditors of your Company, hold office until the conclusion of the Nineteenth Annual General Meeting and are recommended for re-appointment. The Company has received a certificate from them to the effect that their reappointment, if made, would be within the limits prescribed under Section 224 (1) of the Companies Act, 1956.

CORPORATE GOVERNANCE

In terms of the Listing Agreements, a report on Corporate Governance along with Auditors' Report on its compliance is annexed, forming part of the Annual Report.

Additionally, this contains compliance report signed by the CEO of the Company in connection with compliance with the Code of Conduct, and also CEO/CFO Certification as required by the amended Clause 49 of the Listing Agreement.

RESPONSIBILITY STATEMENT

The Directors confirm:

- i) that in the preparation of the annual accounts, the applicable accounting standards have

been followed and that no material departures have been made from the same;

- ii) that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) that they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the Provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) that they have prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, EXPORTS & FOREIGN EXCHANGE EARNINGS AND OUTGO AND PARTICULARS OF EMPLOYEES.

A Statement giving details of conservation of energy, technology absorption, exports and foreign exchange earnings and outgo in accordance with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, as required under section 217(1)(e) of the Companies Act, 1956, together with particulars of Employees as required under Section 217 (2A) of the Companies Act, 1956 is attached and forms part of this report.

SUBSIDIARY COMPANY

There has been no business activity during the year by Heera Seeds Trading and Warehousing Limited, a subsidiary of your Company.

ACKNOWLEDGEMENTS

The Board places on record their appreciation for the contribution of employees at all levels, customers, co-packers, suppliers and all other stakeholders towards performance of the Company during the year under review.

Utpal Sen Gupta
President

On behalf of the Board
Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Wholetime Director

Dated: 1st May, 2006



ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of Directors' Report.

CONSERVATION OF ENERGY

FORM A

Form for disclosure of particulars with respect to conservation of energy

	For the year 1st April, 2005 to 31st March, 2006	For the year 1st April, 2004 to 31st March, 2005
A. Power and fuel consumption		
1. Electricity		
a) Purchased		
Units (in 000's)	8.50	550.93
Total Amount (Rs.Millions)	0.03	2.62
Rate/Unit (Rs.)	3.23	4.76
b) Own Generation		
i) Through diesel generator		
Units (in 000's)	1.27	24.42
Units per ltr. of diesel oil	2.33	3.70
Cost/Unit(Variable)-(Rs.)	14.17	6.50
ii) Through Steam turbine/generator		
Units	N/A	N/A
Units per ltr. of fuel oil/gas		
Cost/Unit		
2. Coal		
Quality 'E' & 'Steam Coal', used in Boiler for Steam Generation		
Quantity(tonnes)	N/A	1,180.59
Total Cost (Rs.Millions)	N/A	4.37
Average Rate per tonne (Rs.)	N/A	3,699.15
3. Others/Internal Generation		
Quantity		
Total Cost	N/A	N/A
Rate/Unit		

B. Consumption per tonne of Refined Edible Oils / IPC

	Standards (if any)	For the year 1st April, 2005 to 31st March, 2006	For the year 1st April, 2004 to 31st March, 2005
Electricity	(KWH /Units)	100.98	76.25
Coal ('E' Grade & Steam Coal)	(Tonne)	N/A	0.16



FORM B

Form for disclosure of particulars with respect of absorption

Research and Development (R & D)

- 1. Specific Areas in which R & D carried out by the Company : — Development of suitable grade of sweet corn
— New Packaging Development
- 2. Benefits derived as a result of the above R&D : — Launch of ACT II Sweet corn under Vending
— Launch of new transparent pouch for crystal
- 3. Future plan of action : — Development of new formats for ACT II Snacks
— New flavours for ACT II Popcorn
— New packaging development

Rs. Millions

- 4. Expenditure on R & D
 - a) Capital —
 - b) Recurring 4.19
 - c) Total 4.19
 - d) Total R & D expenditure as percentage of Turnover 0.04%

Technology Absorption, Adaptation and Innovation

- 1. Efforts in brief, made towards technology absorption and innovation : — The dry dewaxing system using HPLF adopted for one plant was found very successful and accordingly was extended to another major units
— A Pilot scale carameliser was installed to facilitate design and development of full scale production line
- 2. Benefits derived as a result of the above effort : — The new dry-dewaxing technology gives better quality of the product in terms of winterisation as also lower oil losses
— Paves the way for scale-up for possible future business avenues
- 3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
 - a) Technology Imported
 - b) Year of Import
 - c) Has technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place and future plans of action

Not applicable





FOREIGN EXCHANGE EARNINGS AND OUTGO

- 1. Activities relating to Exports : Export of Niger seeds and Sun DOC carried out in the current year.
- 2. Initiatives taken to increase Exports and development of new export market for products and Services and export plans. : A total of 1179 tons of Niger Seeds and Sun DOC was exported.

Rs. Millions

3. Total Foreign Exchange	
Earnings :	
Exports	9.00
Others	6.91
	15.91
Outgo :	
CIF Value of Imports	262.09
Foreign Travel	0.60
Interest/Finance charges	5.83
Software Licence	1.37
Others	0.05
	269.93

Utpal Sen Gupta
President

On behalf of the Board
Lt. Gen. D.B. Singh
Director

Tushar Chudgar
Wholetime Director

Dated: 1st May, 2006

REPORT ON CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement, the Directors present the Company's Report on Corporate Governance.

1. COMPANY'S PHILOSOPHY

AGRO TECH FOODS LIMITED AIMS TO BUILD –

- One of the largest and most profitable food businesses in India.
- Offer superior value to customers by meeting their specific food preferences with relevant and tailored quality products and services, delivered at competitive prices, using world-class systems and processes.

In so far as compliance with the requirement of amended Clause 49 of the Listing Agreement with the Indian Stock Exchanges is concerned, the Company is in full compliance with the norms and disclosures that have to be made on Corporate Governance format.

2. COMPLIANCE WITH MANDATORY REQUIREMENTS

I. BOARD OF DIRECTORS

A) Composition of the Board:

The composition of the Board of Directors of the Company is in conformity with the Code of Corporate Governance under the amended Listing Agreement with the Indian Stock Exchanges. Details of the Board of Directors and their Directorships/ Memberships in Board/Board Committees respectively, of other Companies (excluding Agro Tech Foods Limited and foreign Companies) are as under:

Sl. No.	Name of Director	Category of Director	Relationship with Other Directors	No. of Directorships in other Companies		Committee Memberships	
				Chairman	Member	Chairman	Member
Non-Executive							
1	Mr. Ian F. Troop	-	None	-	-	-	-
2	Mr. Derek L. Briffett	-	None	-	-	-	-
3	Mr. Howard G. Buffett	Independent Director	None	-	-	-	-
4	Lt. Gen. D.B. Singh	Independent Director	None	-	-	-	-
5	Mr. Sanjaya Kulkarni	Independent Director	None	-	9	1	-
6	Mr. Rajiv Tandon	-	None	-	5	2	-
7	Mr. K. Vaidyanath	-	None	4	4	3	1
8	Mr. R.V.Smith	-	-	-	-	-	-
Executive							
9	Mr. Tushar Chudgar	-	None	-	-	-	-

Independent Director is as defined in the amended Clause 49 of the Listing Agreement.

1 & 2 Representing interests of CAG-Tech (Mauritius) Limited in the Company.

6, 7 Representing interests of ITC Affiliates in the Company

8 Resigned with effect from 7th February, 2006

9 Wholetime Director

Alternate Director(s)

Sl. No.	Name of Director	Relationship with Other Directors	No. of Directorships in other Companies		Committee Memberships	
			Chairman	Member	Chairman	Member
Non-Executive						
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	None	-	3	-	1

None of the Independent Non-Executive Directors have any pecuniary relationship or transactions with the Company, its Promoters, its Senior Management or its subsidiaries which in the judgement of Board may affect the independence of the Director except receiving sitting fees for attending Board/Committee Meetings from the Company.

B) Non-Executive Directors' compensation and disclosures

All fees paid to Non-Executive Directors including Independent Directors are fixed by the Board of Directors. The Company has no Employee Stock Option Scheme and hence, no stock options are granted to Non-Executive Directors, including Independent Directors.

C) Other provisions as to Board and Committees

i) Number of Board Meetings held in Financial Year 2005-2006 with dates and attendance of Directors:

Four Board Meetings were held during the Financial Year 2005-2006. They were held on 11th May, 2005, 28th July, 2005, 24th October, 2005 and 24th January, 2006.

The attendance record of each Director was as under:

Sl.No	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1	Mr. Ian F. Troop	4	1	No
2	Mr. Derek L. Briffett	4	1	No
3	Mr. Howard G. Buffett	4	1	No
4	Lt. Gen. D.B. Singh	4	4	Yes
5	Mr. R.V. Smither *	4	-	No
6	Mr. Sanjaya Kulkarni	4	2	No
7	Mr. Rajiv Tandon	4	1	No
8	Mr. K. Vaidyanath	4	-	No
9	Mr. Tushar Chudgar	4	4	Yes

* Resigned with effect from the close of Business hours of 7th February, 2006.

Alternate Director(s)

Sl.No	Name of Director	No. of Board Meetings held	No. of Board Meetings attended	Attendance at last AGM
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	4	2	No

ii) Information to be made available to the Board:

Among others this includes:

- Review of annual operating plans of business, capital budgets, updates.

- Quarterly results of the Company and its operating divisions or business segments.
- Minutes of Meeting of Audit Committee and other Committees.
- Information on recruitment and remuneration of senior officers just below the Board level including appointment or removal of Chief Financial Officer and the Company Secretary.
- Materially important show cause, demand, prosecution and penalty notices.
- Fatal or serious accidents or dangerous occurrences.
- Any materially significant effluent or pollution problems.
- Any materially relevant default in financial obligations to and by the Company or substantial non-payment for goods sold by the Company.
- Any issue which involves possible public or product liability claims of a substantial nature including any judgement or order which, may have passed strictures on the conduct of the Company or taken an adverse view regarding another enterprise that can have negative implications on the Company.
- Details of any joint venture or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Significant labour problems and their proposed solutions.
- Significant development on human resources and industrial relations fronts. Sale of material nature of investments, subsidiaries, assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposure and the steps taken by management to limit the risks of adverse exchange rate movement and Non-compliance of any regulatory or statutory provision or listing requirements as well as shareholder services such as non-payment of dividend and delays in share transfer.

The Board of Agro Tech Foods Limited is/will be routinely presented with all information under the above heads whenever applicable and materially significant. These are/will be



submitted either as part of the agenda papers well in advance of the Board Meetings or are/ will be tabled in the course of the Board Meetings.

- iii) Secretarial Standards relating to Meetings:
The Institute of Company Secretaries of India (ICSI) has established Secretarial Standards relating to the Meetings of the Board and Committees thereof and Annual General Meetings. At this stage, these are only recommendatory and are likely to become mandatory in due course. It is the intention of the Company to generally comply with these Standards.
- iv) As at the year end, none of the Directors is a member of more than ten Board-level committees or a Chairman of more than five such committees, as required under Clause 49 of the Listing Agreement.

D) Code of Conduct

A Code of Conduct has been approved by the Board of Directors on 24th January, 2006, and has been communicated to all Board Members and Employees of the Company and also posted on Corporate Governance link of the Company's web site, **www.atfoods.com** as required by the amended Clause 49 of the Listing Agreement.

As required by the amended Clause 49 of the Listing Agreement, all Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct.

II. AUDIT COMMITTEE

A) Composition:

The Company's Audit Committee comprises of three Directors, all are Non-Executive and majority being Independent Directors. This is in compliance with the amended Clause 49 of the Listing Agreement. Lt. Gen. D.B. Singh an Independent Director is the Chairman of the Committee while Mr. Sanjaya Kulkarni and Mr. Derek L. Briffett are its members. The Company Secretary, Mr. Tushar Chudgar, acts as the Secretary to the Committee. The CFO and Vice President, the Internal Auditors and the Statutory Auditors attend the Meetings by invitation.

The Committee met 3 times during the year 2005-2006 on 11th May, 2005, 24th October, 2005, and 24th January, 2006.

The attendance record of each Director was as under:

Sl.No.	Name of Director	No. of Meetings held	No. of Meetings attended
1	Lt. Gen. D.B. Singh	3	3
2	Mr. Derek L. Briffett	3	1
3	Mr. Sanjaya Kulkarni	3	3

Permanent Invitees

Mr. Arvind Ahuja, CFO and Vice President .

B) Powers of Audit Committee

The primary objective of Audit Committee is to monitor and provide effective supervision of the management's financial reporting process

Certificate of Compliance with the Code of Conduct for Board Members and Senior Management Personnel

To
The Members of
Agro Tech Foods Limited

I, Utpal Sen Gupta, President and CEO of the Company, hereby certify that the Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the period ended 31st March, 2006.

Date: 1st May, 2006

For Agro Tech Foods Limited
Utpal Sen Gupta
President & CEO





Agro Tech Foods Limited

with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Audit Committee has powers to:

- Investigate any activity within its terms of reference
- Seek information from any employee
- Obtain outside legal or other professional advice and

Secure attendance of outsiders with relevant expertise wherever it considers necessary

C) Role of the Audit Committee

The role of the Audit Committee is in line with the proposed amended Clause 49 of the Listing Agreement and performs the following functions:

- (1) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- (2) Recommending to the Board, the appointment, reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees.
- (3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
- (4) Reviewing, with the Management, the annual financial statements before submission to the Board for approval, with particular reference to:
 - a) Matters required to be included in the Directors' Responsibility Statement to be included in the Board's report in terms of clause (2AA) of Section 217 of the Companies Act, 1956
 - b) Changes, if any, in accounting policies and practices and reasons for the same
 - c) Major accounting entries involving estimates based on the exercise of judgment by Management
 - d) Significant adjustments made in the financial statements arising out of audit findings

- e) Compliance with listing and other legal requirements relating to financial statements
- f) Disclosure of any related party transactions
- g) Qualifications in the draft audit report

- (5) Reviewing, with the Management, the quarterly financial statements before submission to the Board for approval.
- (6) Reviewing, with the Management, performance of statutory and internal auditors, and adequacy of the internal control systems.
- (7) Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (8) Discussion with internal auditors any significant findings and follow up thereon.
- (9) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (10) Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (11) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non payment of declared dividends) and creditors.
- (12) To review the functioning of the Whistle Blower mechanism, in case the same is existing.
- (13) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

III SUBSIDIARY COMPANIES

The Company currently has one wholly owned subsidiary, Heera Seeds Trading and Warehousing Limited. There has been no business activity during the year by this Company. As this being a non-



Agro Tech Foods Limited

material non listed Company, there is no additional compliance required.

IV. DISCLOSURES

A) Basis of related party transactions

There have been no materially significant related party transactions that may have potential conflict with the interest of the Company at large.

The details of transactions with related parties are placed before the Audit Committee and the committee has reviewed the same for the year ended 31st March, 2006.

The particulars of transactions between the Company and its related parties as per the Accounting Standard is set out in Note XII of Schedule 18 forming part of the accounts. These transactions are not likely to have any conflict with the Company's interests.

All details relating to financial and commercial transactions where Directors may have a potential interest are provided to the Board and interested Directors neither participate in the discussions, nor do they vote on such matters.

Details of Related Party Transactions

	For the year Ended March, 2006 Rs. Millions	For the year Ended March, 2005 Rs. Millions
1. Subsidiary Company		
Heera Seeds Trading and Warehousing Limited		
Expenses incurred on behalf	0.02	0.01
Year end balance – Payable	14.77	14.78
2. Companies		
– CAG-Tech (Mauritius) Ltd Holding Company (Refer Note 3 (a) below)		
– ConAgra Foods Inc		
– Tiger Management Services		
– Lamb Weston Meijer & Inc (Having significant influence)		
– Advanta India Limited - Joint Venture (upto 31st July, 2005)		
Transactions with ConAgra Foods Inc		
– Purchase of materials	36.48	14.75
– Stock in transit	8.83	–
– Recovery of expenses	4.36	6.04
– Income earned on		

services rendered	2.43	6.42
Year end balances		
– Receivable	–	3.28
– Payable	–	0.90
Transactions with Tiger Management Services		
– Payment of Travel Expenses	0.50	0.18
Year end balances		
– Receivable	–	–
– Payable	–	–
Transactions with Lamb Weston Meijer & Inc		
– Purchase of materials	11.34	1.06
Year end balances		
– Payable	1.74	–
Transaction with Advanta India Limited		
– Dividend received	–	31.50
Year end balances		
– Receivable	–	22.05
– Payable	–	0.04

3. Key Management Personnel

Whole time Director		
– Mr.Tushar I Chudgar		
Other Key Management Personnel		
Mr.Utpal Sen Gupta		
Mr. Arvind Ahuja		
Mr.Ravi Krishnamoorthy		
Mr.Madhusudan Manvi		
Mr.K.S.Shyam		
Mr.Atul Sinha		
Loans advanced during year	–	0.06
Loans repaid during the year	0.02	1.16
Loans outstanding	0.51	0.53
Remuneration (Refer note (b) and (c) below)	35.05	34.60

Notes:

- CAG-Tech (Mauritius) Limited, which held 51% shares in the Company (i.e. 12,500,000 shares), sold 3% shares resulting in reduction of its stake to 48.11%.(i.e.11,723,154 shares). With these changes CAG-Tech (Mauritius) Limited ceased to be the Holding Company during the current year.
- Remuneration as given above does not include leave encashment benefit accrued and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the



managerial personnel cannot be ascertained separately.

- c) Remuneration includes performance bonus paid during the year

B) Disclosure of Accounting Treatment

The Company has complied with the appropriate accounting policies and has ensured that they have been applied consistently. There have been no deviations from the treatment prescribed in the Accounting Standards. The Management reviews the accounting treatments adopted and wherever deviations noted, will be presented in the financial statements. A detailed report on significant accounting policies is provided elsewhere in the Annual Report.

C) Board Disclosures – Risk Management

The Company has formulated and adopted risk assessment and minimization framework which has been adopted by the Board at the Board Meeting held on 1st May 2006.

The Company has framed a risk management policy and testing in accordance with the laid down policy has been carried out during the months of October 2005 and April 2006.

D) Proceeds from Public Issues, Rights Issues, Preferential Issues etc.

During the year, your Company has not raised any money through public issue, rights issue or preferential issues.

E) Remuneration of Directors

Remuneration Committee

Remuneration Committee has been constituted pursuant to Schedule XIII of the Companies Act, 1956 and not as per Clause 49 of the Listing Agreement. The composition is as follows :

1. Mr. Howard G. Buffett,
2. Lt. Gen. D.B. Singh and
3. Mr. Sanjaya Kulkarni, all Non-Executive Independent Directors as required.

The Remuneration Committee Meeting was held through circulation once on 12th May, 2005 to consider the remuneration of the Executive Director.

Remuneration policy

The Wholetime Director and Secretary is paid remuneration as per the terms approved by the Remuneration Committee, the Board of Directors of the Company and the shareholders of the Company and subject to such other statutory approvals as may be necessary. The remuneration of the Wholetime Director and Secretary comprises of salary, perquisites and allowances, contributions to provident fund and superannuation and gratuity.

Remuneration paid/payable to Wholetime Director for the year ended 31st March, 2006:

(in Rupees)

Name of the Director	Sitting Fees (incl. Committee Meetings)	Salary	Contribution to PF and other funds	Other perquisites and allowances	Total
Mr. Tushar Chudgar	Nil	572,430	183,178	705,712	1,461,320

The Company does not have any stock option scheme.





Criteria for making payments to Non-Executive Directors

The Company currently pays sitting fees to its Non-Executive Independent Directors as permitted by the Provisions of the Companies Act, 1956 for attending Meetings of the Board and other Committees of the Board. The sitting fees are Rs.20,000/- for attending each of such Meetings.

The appointment of Executive Director is governed by Resolutions passed by the Board of Directors and the Shareholders of the Company, which covers the terms and conditions of such appointment.

The Non-Executive Directors do not hold any shares or convertible instruments of the Company.

F) Management

- i) The Management Discussion and Analysis Report as part of Directors' Report to the shareholders is provided elsewhere in the Annual Report.
- ii) For the year ended 31st March, 2006 your Company's Board has obtained Senior Management affirmations that there have been no material, financial and commercial transactions where they have personal interest that may have a potential conflict with the interests of the Company at large.

G) Shareholders Information

- i) The quarterly results are sent to the stock exchange on which the Company is listed so as to display the same on its own website. During the year there are no presentations made by the Company to analysts.
- ii) Share Transfer Committee

The present members of the Committee are the Company Secretary and Mr. Raghunathan, Director of Sathguru Management Consultants Private Limited, the Registrars and Share Transfer Agents. Committee met 29 times during the year 2005-2006. All the applications for share transfers received during the year 2005-2006 have been approved.

iii) Shareholders/Investor Grievances Committee

The Shareholders Grievances Committee currently comprises of two Non-Executive Independent Directors. Lt. Gen.D.B. Singh is the Chairman. Mr. Sanjaya Kulkarni and Mr. Tushar Chudgar, are other members of the Committee. The terms of reference are to review and redress the shareholders' and investors grievances and queries in relation to transfer of shares, non-receipt of Balance Sheets, declaration of dividends, approval of sub-division, consolidation, transmission and issue of duplicate shares.

The Committee met three times, however, all queries have been resolved to the satisfaction of the Shareholders / Investors. The Committee focuses on the strengthening of investor relations.

Mr. Tushar Chudgar, Company Secretary has been designated as the Compliance Officer.

Investor Communications

The Company received 233 communications during the financial year ended 31st March,2006 and none of the communications received were pending as on that date.

	Received	Redressed	Pending
Shareholders/Investors	230	230	-
Stock Exchanges	-	-	-
Securities and Exchange Board of India	2	2	-
Depositories	-	-	-
Court/Dept of Company Affairs/Custodians	1	1	-
Total	233	233	-

The Company has attended to the shareholders/ investors grievances/correspondence generally within a period of 7 to 10 days except in cases where constrained by disputes of legal impediments



Agro Tech Foods Limited

Nature of Communications

	No of Communi- cations	% of Communi- cations
Non-receipt of Dividend Warrants	-	-
Transfer of Shares	-	-
Transmission of shares	-	-
Non-receipt of Share Certificates	3	1
Issue of Duplicate Share Certificates	7	3
Dematerialisation of shares	16	7
Others *	207	89
Total	233	100

* This includes the following

- a) Change of address
- b) Loss/Misplacement of shares
- c) Registration of Power of attorney
- d) Registration of Nomination
- e) SEBI letter regarding non credit of demat shares
- f) Bank mandate
- g) Name change stickers
- h) Revalidation of dividend warrant
- i) Disposing of shares
- j) Non-receipt of interest on debentures
- k) Non-receipt of annual report
- l) Address of Registrar and Transfer Agents
- m) Procedure for transmission/split/consolidation/duplicates
- n) Enquiry about issue of bonus shares
- o) Name of the Stock exchanges Company shares listed
- p) Enquiry about shareholding in Company

As mentioned earlier, the Company has constituted a Shareholders/Investors Grievances Committee for redressing shareholders and investors' complaints. The status on compliance is reported to the Board of Directors as an agenda item.

Legal Proceedings

There are some pending cases relating to disputes over title to shares, in which the Company has been made a party. These cases are however not material in nature.

V. CEO/CFO CERTIFICATION

Mr. Utpal Sen Gupta, President and CEO and Mr. Arvind Ahuja, CFO and Vice President have given CEO/CFO Certificate to the Board. The Board noted the said CEO/CFO Certificate as per the format given under Clause 49(V), at its Meeting held on 1st May, 2006.

VI. REPORT ON CORPORATE GOVERNANCE

Your Company complies with the revised Clause 49 of the Listing Agreement which has come into force w.e.f. 1st January, 2006.

As required by amended Clause 49 of the Listing Agreement with the Stock Exchange the Auditor's Certificate is given as an annexure to this Report.

3. COMPLIANCE WITH NON MANDATORY REQUIREMENTS

i) Chairman of the Board

The present Chairman of the Board is foreign national and Non-Executive Director. The expenses in connection with his official visits to India are paid for by the Company he is employed with i.e. ConAgra Foods Retail Products Company – International Foods Group.

ii) Remuneration Committee

No formal Remuneration Committee under Corporate Governance Clause of the Listing Agreement has been constituted during the year by the Board of Directors, though a Remuneration Committee pursuant to Schedule XIII of the Companies Act, 1956 has been formed to consider the remuneration of the Executive Director.

iii) Shareholder rights

The Company publishes its half yearly financial results in leading newspapers such as the Business Standard and Andhra Bhoomi (Hyderabad editions). The Half-Yearly reports are not sent to the household of shareholders. The results of the Company are also being posted on the Company's website www.atfoods.com.



iv) Postal Ballot

No Special Resolution requiring a postal ballot was placed before the last AGM. Similarly no special resolution requiring a postal ballot is being proposed at the ensuing AGM.

v) Whistle Blower Policy

A Whistle Blower Policy has been approved by the Board of Directors on 24th January, 2006. This Whistle Blower Policy is to provide opportunities to employees to access in good faith, to the management concerns (in certain cases to the Audit Committee) in case they observe unethical or improper practices (not necessarily a violation of law) in the Company and to secure those employees from unfair termination and unfair prejudicial employment practices.

The Whistle Blower Policy has been communicated to all Board Members and Employees of the Company and also posted on Corporate Governance link of the Company's web site, www.atfoods.com as required by the amended Clause 49 of the Listing Agreement.

4. GENERAL BODY MEETINGS

Annual General Meetings

The Annual General Meetings of the shareholders of the Company for the last three years were held as under:

Year	Venue	Date	Time
2003	House of Windsor-1 Viceroy Convention Centre Opp. Hussain Sagar Lake Tank Bund Road Hyderabad – 500 080, A.P.	30th July, 2003	10.30.a.m
2004	House of Windsor-1 Viceroy Convention Centre Opp. Hussain Sagar Lake Tank Bund Road Hyderabad – 500 080, A.P.	30th July, 2004	10.30.a.m

2005	House of Windsor-1 Viceroy Convention Centre Opp. Hussain Sagar Lake Tank Bund Road Hyderabad – 500 080, A.P.	28th July, 2005	10.00.a.m.
------	---	--------------------	------------

The Resolutions at the above Annual General Meetings (AGM) were passed by requisite majority/ unanimously.

Special Resolutions related to:

Year

2005	Re-appointment of Wholetime Director
2004	Re-appointment of Wholetime Director.
2003	De-list equity shares of Company from the Stock Exchanges Hyderabad and Kolkata.

No Special Resolution requiring a postal ballot was placed before the last Annual General Meeting. Also no special resolution requiring a postal ballot is being placed at the ensuing Annual General Meeting.

5. MEANS OF COMMUNICATION

Half-Yearly report to shareholders, Quarterly Results, Newspaper in which published, Website etc.

The Quarterly, Half-Yearly and Annual Results are generally published by the Company in Hyderabad editions of the Business Standard and Andhra Bhoomi. The Half-Yearly reports are not sent to the household of shareholders. The results are also being posted on the Company's website "www.atfoods.com"

Details of non-compliance, penalties or structures imposed on the Company by the Stock Exchanges/SEBI/Statutory authority, on any matter relating to the capital markets, during the last three years – None.

During the year, there were no presentations made to institutional investors or to the analysts. Management Discussion and Analysis Report forms part of the Annual Report.



6. GENERAL SHAREHOLDER INFORMATION

A. Annual General Meeting

Date and Time : 28th July, 2006 at 10.00 A.M.
 Venue : Residency Hall,
 Hotel Green Park
 Greenlands
 Hyderabad - 500 016
 Andhra Pradesh.

B. Financial Year 2006-2007

First quarter results : July, 2006
 Half yearly results : October, 2006
 Third quarter results : January, 2007
 Annual results : May, 2007

C. Directors Biographical Data

: Given in Annual General Meeting Notice and Explanatory Statement Pursuant to Section 173(2) of the Companies Act, 1956 and the Listing Agreements Particulars of Directorship of other Companies and Memberships of other Committees are given in the Annexure hereto.

D. Dates of Book Closure

: 21st to 28th July, 2006 (both days inclusive)

E. Dividend payment date

: N.A.

F. Listing on Stock Exchanges

: The Company's equity shares are listed on Mumbai, Kolkata (application made for delisting in October, 2003 and awaiting approval) and National Stock Exchange of India Limited. The listing fees for the year 2006-2007 have been paid to Mumbai and National Stock Exchanges.

G. Stock Code

	Stock Exchange	Code
CSE	Physical	019057
	Demat	10019057
BSE	Scrip code	500215
	Co. code	1311
NSE	Scrip Code	ATFL
	Series	EQ - Rolling Settlement





H. Stock Price Data:

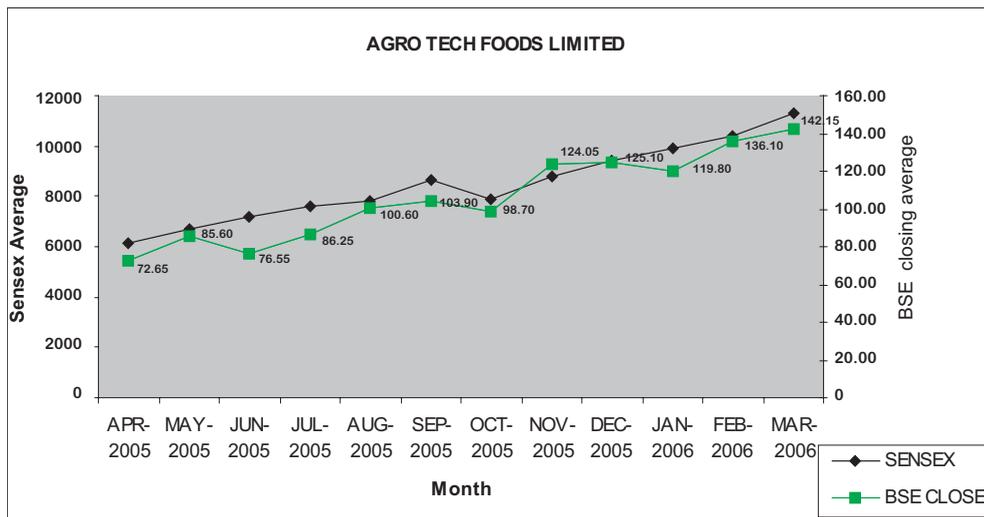
Monthly High/Low quotation of shares traded on Bombay Stock Exchange Limited, (BSE) and National Stock Exchange of India Limited (NSE) for 2005-2006

Year	Month	BSE			NSE			Total Volumes BSE and NSE (Nos.)
		High Rs.	Low Rs.	Volume (Nos.)	High Rs.	Low Rs.	Volume (Nos.)	
2005	April	82.90	61.55	558,103	82.45	66.4	629,311	1,187,414
2005	May	94.00	70.50	1,025,171	96.00	71.00	768,763	1,793,934
2005	June	93.65	74.10	421,782	104.10	76.00	309,699	731,481
2005	July	104.95	65.80	2,340,896	104.90	73.00	1,903,915	4,244,811
2005	August	108.70	83.00	2,731,004	109.00	82.75	2,874,028	5,605,032
2005	September	119.40	91.00	6,874,909	118.85	91.00	6,205,825	13,080,734
2005	October	122.90	93.15	6,131,558	122.90	91.25	4,485,045	10,616,603
2005	November	134.45	97.00	5,038,028	134.30	96.50	4,141,258	9,179,286
2005	December	150.00	121.25	4,293,997	149.55	122.50	3,712,864	8,006,861
2006	January	138.90	118.50	2,822,741	138.40	118.00	2,847,277	5,670,018
2006	February	144.50	112.10	4,765,088	144.80	100.00	3,830,830	8,595,838
2006	March	144.45	114.55	2,789,389	143.85	115.00	2,150,415	4,939,804

* Source: Websites of BSE and NSE

I. Stock Performance

Graph – BSE Sensex vs. share price from April 2005 to March 2006



*Source: Website of BSE

J. Registrars and Share Transfer Agents

The Company's equity shares being in compulsory demat list are transferable through the depository system for which the Company has established connectivity through M/s. Sathguru Management Consultants Private Limited, Plot No. 15, Hindi Nagar, Behind Shiridi Saibaba Temple, Punjagutta, Hyderabad – 500 034 and they are the Registrar and Transfer Agents (Both Physical and Depository).

K. Share Transfer System

The applications for transfer of shares received by the Company in physical form are processed and registered within 20 days of receipt of the documents valid in all respects. After such processing, the duly transferred share certificates shall be despatched to transferee who lodged the shares for transfer. Shares under objection are returned within a week's time. The Share Transfer Committee meets generally once in 2 weeks to consider the transfer applications and other proposals to transmission, etc.

L. Shareholding Pattern

The distribution of shareholding as on 31st March, 2006 was as under:

Range	No. of Shareholders	% of total shareholders	No. of shares held	% of shareholding
1 – 500	16,858	90.52	2,211,570	9.06
501 – 1000	911	4.89	757,163	3.11
1001 – 2000	401	2.15	613,493	2.52
2001 – 3000	156	0.84	405,924	1.67
3001 – 4000	71	0.38	257,520	1.06
4001 – 5000	65	0.35	314,318	1.29
5001 – 10000	84	0.45	614,300	2.52
10000 – Above	79	0.42	19,194,976	78.77
TOTAL	18,625	100.00	24,369,264	100.00

The categories of Shareholding as on 31st March, 2006 was as under:

Category	No. of Shares held	% of shareholding
CAG – Tech (Mauritius) Limited	11,723,154	48.11
ITC Affiliates	4,085,800	16.77
Non-resident individuals/ FIs/OCBs	314,221	1.29
Bank/Financial Institutions, Insurance Companies and Mutual Funds	108,552	0.45
Directors and their relatives	–	–
Other Bodies Corporates	1,478,583	6.07
General Public	6,658,954	27.31
Total	24,369,264	100.00

Outstanding GDRs/ADRs/Warrants or any convertible instruments, conversion date and likely impact on equity

: Not Applicable



M. Dematerialisation of Shares

The equity shares of the Company which are in compulsory demat list with effect from 26th June, 2000 are available for trading under National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). The International Securities Identification Number allotted to the Company's equity shares is INE209A01019. As on date, a total of 23,689,914 equity shares forming 97.21 % of the total paid up equity share capital of 24,369,264 stands dematerialised. All requests for dematerialisation of shares are processed within the time frame of 1 – 4 days time.

As the members are aware, Your Company's shares are tradable compulsorily in electronic form and your Company has established connectivity with both the depositories, i.e., NSDL and CDSL. SEBI has directed that "No Custody Charge" shall be levied on any investor who would be opening a demat account on or after 1st February, 2005. This is an added benefit over and above the existing advantages offered by the Depository System. Members are requested to avail of the facility of dematerialisation of the Company's shares on either of the Depositories as aforesaid.

N. Address for correspondence

The addresses for correspondence are as under:

For both Physical and electronic form : Sathguru Management Consultants Private Limited,
Plot No.15, Hindi Nagar,
Behind Shiridi Saibaba Temple, Punjagutta,
Hyderabad - 500 034.
Phone: 040-23356507/23356975/23350586
Fax: 040-23354042
Email: sta@sathguru.com

For any other matter and unresolved Complaints : In, addition to our Registrar, shareholders can contact the Registered Office of the Company and contact person name is given below:
Mr. Tushar Chudgar
Director & Secretary
Agro Tech Foods Limited
31, Sarojini Devi Road,
Secunderabad - 500 003.
Phone: 040-27801205/55333444/55650350
Fax: 040-27800947
Email: tushar.chudgar@atfoods.com

ANNEXURE

PARTICULARS OF DIRECTORSHIPS OF OTHER COMPANIES INCLUDING FOREIGN COMPANIES AND MEMBERSHIPS OF OTHER COMMITTEES

Sl.No.	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
Non-Executive Directors						
1	Mr. Ian F. Troop	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
2	Mr. Howard G. Buffett	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
3	Mr. Derek L. Briffett	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
4	Lt. Gen. D.B. Singh	-Nil-	-Nil-	-Nil-	-Nil-	-Nil-
5	Mr. R.V. Smither *	ICS Holdings Ltd. ICS Group Ltd. Sea Harvest Corporation Ltd. Oceana Group Ltd. Tiger Food Brands Ltd. Empresas Carozzi, SA Tiger Brands Ltd.	Director Director Director Director Director Director Director	-Nil-	-Nil-	-Nil-
6	Mr. Sanjaya Kulkarni	Time Packing Ltd. Drish Shoes Ltd. S.L. Poultry (P) Ltd. Mistral Software Private Ltd. India Direct Equity Advisors Private Ltd. Tracmail (India) Private Ltd. UTV Software Communications Ltd. Protect Insurance Services Private Ltd. Indiaco Ventures Pvt. Ltd.	Director Director Director Director Director Director Director Director Director	UTV Software Communications Ltd.	Audit Committee	Chairman
7	Mr. Rajiv Tandon	Landbase India Ltd. Greenacre Holdings Ltd. Classic Infrastructure & Development Ltd. Russell Credit Ltd. Wimco Ltd. ITC Limited Russell Credit Ltd. Gold Flake Corporation Ltd.	Director Director Director Director Director Director Director Chairman & Director Chairman & Director	Landbase India Ltd. Classic Infrastructure & Development Ltd. Infrastructure & Development Ltd.	Audit Committee Audit Committee	Chairman Chairman



Agro Tech Foods Limited

Sl.No.	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
8	Mr. K. Vaidyanath	Wills Corporation Ltd.	Chairman & Director	Russell Credit Ltd.	Audit Committee	Chairman
		Greenacre Holdings Ltd.	Chairman & Director	Gold Flake Corporation Ltd	Audit Committee	Chairman
		ITC Infotech India Ltd	Director	Greenacre Holdings Ltd	Audit Committee	Chairman
		Classic Infrastructure & Development Ltd.	Director	ITC Infotech India Ltd.	Audit Committee	Member

5* Resigned as Director w.e.f. the close of business hours of 7th February, 2006.

Sl.No.	Name of the Director	Other Directorships		Other Committee Memberships		
		Name of the Company	Position	Name of the Company	Committee	Position
Executive Director						
9	Mr. Tushar Chudgar		-Nil-	-Nil-	-Nil-	-Nil-
Alternate Directors						
Non-Executive Directors						
1	Mr. S. Sivakumar (Alternate for Mr. K. Vaidyanath)	Minota Aqua Tech Ltd.	Director			
		ITC Infotech India Ltd.	Director			
		National Bank for Agriculture and Rural Development	Part-time Non-Official Director	National Bank for Agriculture and Rural Development	Audit Committee	Member



AUDITORS' CERTIFICATE REGARDING COMPLIANCE OF CONDITIONS OF CORPORATE GOVERNANCE

To the Members of Agro Tech Foods Limited

We have examined the compliance of conditions of Corporate Governance by Agro Tech Foods Limited for the year ended March 31, 2006, as stipulated in Clause 49 of the Listing Agreements of the said Company with stock exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the Company's management. Our examination was carried out in accordance with the "Guidance Note on Certification of Corporate Governance (as stipulated in Clause 49 of the Listing Agreement)", issued by the Institute of Chartered Accountants of India and was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us

1. We certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.
2. We state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad
Date : May 1, 2006

Tuhin Bagchi
Partner
Membership Number 50497
For and on behalf of
Lovelock & Lewes
Chartered Accountants





STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant Provisions of the Companies Act, 1956.

REVENUE RECOGNITION

Sales are recognised when goods are despatched or as per the terms of contract.

Dividend/Income from Investments are recognised when declared/accrued.

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the Profit and Loss account when the right to receive credit as per the tenure of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

FIXED ASSETS AND INTANGIBLE ASSETS

Fixed Assets including computers and related assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalised. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work-in-Progress.

Depreciation is provided on straight line method based on the useful life of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the Provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

- Office equipment, Computer and related hardware and software 19%
- Plant and Machinery 6.33% to 9.5%
- Furniture and Fixtures 10%

In respect of assets given to the employees under a scheme, depreciation is provided at rates determined on the basis of the useful economic life of these assets (5 years), and the rates are higher than Schedule XIV rates.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss being the excess of carrying value over the recoverable value of the assets are charged to the profit and loss account in the respective financial years. The impairment loss recognised in the prior years is reversed in such cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalised and recorded in the Balance Sheet as Trade Marks. These are amortised on straight-line method over the estimated useful life of forty years determined by persuasive evidences of expected usage contributing towards the performance and significant expenditure incurred to sustain the useful life of brands. Recoverable value of such brands is assessed in each financial year.

INVESTMENTS

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

INVENTORIES

Inventories are valued at weighted average cost or below. Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid/payable thereon.

Goods in transit / with third parties and at godowns are valued at cost which represents the costs





Agro Tech Foods Limited

incurred upto the stage at which the goods are in transit / with third parties and at godowns.

FOREIGN EXCHANGE CONVERSION

The transactions in foreign currency are accounted for at the exchange rate prevailing at the date of the transactions. Gains/losses arising out of fluctuations in exchange rates are accounted for on subsequent realisation / payment. The differences between forward exchange rates and the exchange rates at the date of transaction are recognised as income or expense over the life of the contracts.

Current Assets and Current Liabilities covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at the rate prevailing on Balance Sheet

date and the resultant gains / losses are recognised in the Profit and Loss Account.

The original cost of Fixed Assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing on the date of the Balance Sheet.

PAYMENTS AND BENEFITS TO EMPLOYEES

Liabilities in respect of retirement and death benefits are provided for by payments to retiral funds. The amounts of the payments to pension, gratuity and leave encashment benefit are determined on an actuarial basis as at the end of the accounting period.

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date: 1st May, 2006

BALANCE SHEET AS AT 31st MARCH, 2006

	Schedules	31st March, 2006		31st March, 2005	
		Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS					
Shareholders' Funds					
Capital	1	243.69		243.69	
Reserves & Surplus	2	721.29		730.49	
			964.98		974.18
Loan Funds					
Secured Loans	3		3.00		413.29
			967.98		1,387.47
TOTAL					
II. APPLICATION OF FUNDS					
Fixed Assets					
Gross Block	4	531.46		570.48	
Less: Depreciation / Amortisation		167.61		157.44	
Net Block		363.85		413.04	
Less: Impairment Provision		26.17		38.02	
Adjusted Net Block		337.68		375.02	
Capital Work-in-Progress		2.71		3.23	
			340.39		378.25
Investments	5		14.11		109.10
Deferred Tax Asset – Net	6		61.17		64.64
Current Assets, Loans and Advances					
Inventories	7	488.83		443.10	
Sundry Debtors	8	381.13		282.15	
Cash and Bank Balances	9	35.96		9.36	
Other Current Assets	10	2.29		22.88	
Loans and Advances	11	326.76		501.25	
		1,234.97		1,258.74	
Less:					
Current Liabilities and Provisions					
Liabilities	12	682.67		641.94	
Provisions		9.13		10.15	
		691.80		652.09	
Net Current Assets			543.17		606.65
Deferred Payment Liability (Refer Note (iii) (a) on Schedule 18)			(160.40)		(249.50)
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		6.14		260.90
Profit and Loss Account			163.40		217.43
			967.98		1,387.47
TOTAL					
Notes to the Accounts					
	18				
The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet					

This is the Balance Sheet referred to in our report of even date

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

Schedules	For the year ended 31st March, 2006 Rs. Millions	For the year ended 31st March, 2005 Rs. Millions
INCOME		
Sales (Net of Trade Discounts)	9,379.16	10,432.13
Less: Excise Duty	—	9.37
Sales (Net)	9,379.16	10,422.76
Other Income	14 17.23	60.56
	9,396.39	10,483.32
EXPENDITURE		
Material Consumption	15 8,362.42	9,321.24
Manufacturing, Selling etc., expenses	16 854.15	1,005.05
Interest and Finance Charges	17 39.11	61.69
	9,255.68	10,387.98
PROFIT BEFORE DEPRECIATION / AMORTISATION		
	140.71	95.34
Depreciation / Amortisation	23.06	24.72
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS		
	117.65	70.62
Provision for Taxation		
– Current	2.70	—
– Fringe Benefit Tax	10.34	—
– Deferred	3.46	(19.12)
	101.15	89.74
PROFIT BEFORE EXTRAORDINARY ITEMS		
	56.32	89.10
EXTRAORDINARY ITEMS (Net) (Refer Note (iii) on Schedule 18)		
	44.83	0.64
NET PROFIT		
Transfer from Investment Allowance Reserve (Refer Note (iv) on Schedule 18)	9.20	—
Loss brought forward	(217.43)	(218.07)
Deficit carried forward to Balance Sheet	(163.40)	(217.43)
Earnings per Share		
Basic and Diluted - before Extraordinary items (Rs.)	4.15	3.68
– after Extraordinary items (Rs.)	1.84	0.03

Notes to the Accounts 18
The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Capital				
Authorised:				
25,000,000 Equity Shares of Rs. 10 each		250.00		250.00
1,000,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		<u>350.00</u>		<u>350.00</u>
Issued:				
24,372,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid up:				
24,369,264 Equity Shares of Rs. 10 each fully paid up (Refer Note (xii) (a) on Schedule 18)		243.69		243.69
		<u>243.69</u>		<u>243.69</u>
2. Reserves and Surplus				
Share Premium Account		721.29		721.29
Investment Allowance Reserve				
As at the commencement of the year	9.20		9.20	
Transferred (to) / from Profit and Loss Account	<u>(9.20)</u>		<u>—</u>	
(Refer Note (iv) on Schedule 18)				9.20
		<u>721.29</u>		<u>730.49</u>
3. Secured Loans				
Loans from Banks				
Short Term Loans	—		390.53	
Cash Credit and Export Packing Credit	<u>3.00</u>		<u>22.76</u>	
		<u>3.00</u>		413.29
The above loans are secured by hypothecation of current assets including inventory and book debts both present and future				
		<u>3.00</u>		<u>413.29</u>

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Free- hold Land Rs. Millions	Lease- hold Land Rs. Millions	Buildings Rs. Millions	Plant & Machi- nery Rs. Millions	Furniture & Fixtures Rs. Millions	Trade Marks Rs. Millions	Vehicles Rs. Millions	Total 2006 Rs. Millions	Total 2005 Rs. Millions
ORIGINAL COST (GROSS BLOCK)									
Cost at the beginning of the year	0.60	0.69	45.14	116.82	21.00	370.84	15.39	570.48	573.32
Additions during the year	—	—	—	5.92	0.57	—	1.67	8.16	8.94
	0.60	0.69	45.14	122.74	21.57	370.84	17.06	578.64	582.26
Withdrawals during the year	—	—	34.03	9.23	0.28	—	3.64	47.18	11.78
Cost (Gross Block) as at 31st March, 2006	0.60	0.69	11.11	113.51	21.29	370.84	13.42	531.46	570.48
DEPRECIATION/AMORTISATION									
At the beginning of the year	—	0.31	5.88	53.41	11.61	78.09	8.14	157.44	135.61
For the year	—	0.02	0.28	9.39	1.44	9.28	2.66	23.07	24.72
	—	0.33	6.16	62.80	13.05	87.37	10.80	180.51	160.33
Withdrawals during the year	—	—	4.08	5.36	0.25	—	3.21	12.90	2.89
As at 31st March, 2006	—	0.33	2.08	57.44	12.80	87.37	7.59	167.61	157.44
NET BLOCK									
As at 31st March, 2006	(a) 0.60	0.36	9.03	56.07	8.49	283.47	5.83	363.85	413.04
Provision for Impairment as at 1st April, 2005	—	—	15.16	17.52	5.23	—	0.11	38.02	39.45
For the year	—	—	—	3.64	—	—	—	3.64	0.91
	—	—	15.16	21.16	5.23	—	0.11	41.66	40.36
Withdrawals during the year	—	—	12.56	2.80	0.02	—	0.11	15.49	2.34
As at 31st March, 2006	(b) —	—	2.60	18.36	5.21	—	—	26.17	38.02
ADJUSTED NET BLOCK									
As at 31st March, 2006	(a-b) 0.60	0.36	6.43	37.71	3.28	283.47	5.83	337.68	375.02
As at 31st March, 2005	0.60	0.38	24.10	45.89	4.16	292.75	7.14	375.02	—
Capital Work-in-Progress at cost (Represents Capital Advances – unsecured and considered good)								2.71	3.23

Notes:

- Buildings (including cost of shares in Co-operative Societies) include Rs. 8.08 million (2005 – Rs. 8.08 million) pending registration in the name of the Company.
- Carrying value of Trade Marks represents the value of brands viz, "Sundrop" and "Rath" amounting to Rs. 283.47 million (2005-Rs. 292.75 million).
- The unexpired amortisation period for "Sundrop" is 29 years and for "Rath" is 34 years.
- The Company has re-assessed all the fixed assets for impairment and the current year provision of Rs. 3.64 million (2005 – Rs. 0.91 million) has been charged to the Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments				
Long Term: At Cost				
(Unquoted)				
a) Government Securities (NSC's redeemed during the year Rs. 0.01 million (2005 – Rs. Nil))		0.11		0.13
b) Others				
Trade				
ITC Classic Real Estate Finance Limited, – 5,000,000 Equity Shares of Rs. 10 each fully paid up	—		100.50	
Less: Provision for Diminution in value (Sold during the year)	—		100.50	
Advanta India Limited, 3,150,000 Equity Shares of Rs. 10 each fully paid up (Sold during the year) (Refer note (iii) (b) on Schedule 18)		—		94.97
c) Subsidiary				
Heera Seeds Trading and Warehousing Limited, 2,000,000 Equity Shares of Rs.10 each fully paid up	20.00		20.00	
Less: Provision for Diminution in value	6.00		6.00	
		14.00		14.00
Short Term: At cost or below				
Others (Unquoted)				
Investment in Mutual Funds				
HDFC Liquid Short Term Plan (13,916,453 units) (Purchased and sold during the year)		—		—
		14.11		109.10
6. Deferred Tax Asset (Net)				
Deferred Tax Asset –				
On Unabsorbed Depreciation	56.96		62.16	
On Provision for Debts / Assets	34.72		37.38	
On Expenditure on payment basis	4.18		4.95	
Voluntary Separation Scheme	—		2.91	
		95.86		107.40
Deferred Tax Liability –				
On Depreciation		(34.69)		(42.76)
		61.17		64.64
Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rates				

SCHEDULES TO THE ACCOUNTS

	31st March, 2006 Rs. Millions	31st March, 2005 Rs. Millions
7. Inventories		
Raw Materials* (including in transit)	299.08	236.35
Packing Materials*	22.76	26.88
Finished Goods** (including in transit)	166.99	179.87
	<u>488.83</u>	<u>443.10</u>
* at cost or below		
** at cost or net realisable value whichever is lower		
(Finished goods include goods sent on Consignment Rs. 4.02 million; 2005 – Rs. 2.87 million)		
8. Sundry Debtors (Unsecured)		
Debts outstanding for a period exceeding six months		
– Considered good	3.02	8.81
– Considered doubtful	96.19	95.81
Other debts		
– Considered good	378.11	273.34
– Considered doubtful	1.67	1.69
	<u>478.99</u>	<u>379.65</u>
– Less: Provision for doubtful debts	97.86	97.50
	<u>381.13</u>	<u>282.15</u>
9. Cash and Bank Balances		
Cash and Cheques on hand	0.04	0.24
With Scheduled Banks:		
On Current Accounts	33.11	6.17
On Fixed Deposit Account*	2.68	2.82
Unclaimed Fixed Deposit account	0.13	0.13
	<u>35.96</u>	<u>9.36</u>
*Lodged as security deposit Rs. 2.55 million (2005 – Rs. 2.82 million)		
10. Other Current Assets		
Interest Receivable	0.20	0.19
Dividend Receivable	—	22.05
Sales Promotion Material at Cost	2.09	0.64
	<u>2.29</u>	<u>22.88</u>

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
11. Loans and Advances				
(Secured-considered good)				
- Advances Recoverable in cash or in kind or for value to be received		20.00		20.00
(Unsecured-considered good)				
- Loans*		6.56		8.32
- Advances Recoverable in cash or in kind or for value to be received		109.04		301.91
- Advances with Government and Public Bodies		41.18		22.27
- Deposits with Government, Public Bodies and Others		18.80		18.43
- Advance Income Tax (including Tax Deducted at Source) (net of provision for tax)		131.18		130.32
(Unsecured-considered doubtful)				
- Advances recoverable in cash or in kind or for value to be received		10.46		9.64
		<u>337.22</u>		<u>510.89</u>
- Less: Provision for doubtful advances		10.46		9.64
		<u>326.76</u>		<u>501.25</u>

* Includes amounts due from a Director Rs. 0.03 million (2005 – Rs. 0.04 million) The maximum amount due at anytime during the year – Rs. 0.04 million (2005 – Rs. 0.06 million)

12. Current Liabilities and Provisions

A) Liabilities

Acceptances		184.35		174.69
Sundry Creditors				
- Due to Small Scale Industrial undertakings	3.95		1.21	
- Due to Others #	<u>402.58</u>		<u>410.27</u>	
		406.53		411.48
Advance from customers		10.64		11.17
Investor Education and Protection Fund shall be credited by the following amounts:				
Unclaimed Fixed Deposits		0.02		0.24
Interest accrued but not due		3.25		2.43
Other Liabilities		77.88		41.93
		<u>682.67</u>		<u>641.94</u>

Includes amounts due to subsidiary Rs. 14.77 million (2005 – Rs. 14.78 million)

B) Provisions

For Provident Fund Scheme		0.15		0.35
For Retiral Benefits		8.98		9.80
		<u>9.13</u>		<u>10.15</u>

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
16. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	130.40		126.43	
Contribution to Provident and Other Funds (net)*	17.62		11.09	
Workmen and Staff Welfare Expenses	13.44		13.78	
		161.46		151.30
Consumption of Stores and Spare parts		0.12		0.58
Processing Charges		101.25		108.21
Power and Fuel		—		2.62
Rent		28.34		34.92
Rates and Taxes		35.55		37.23
Insurance		4.14		6.57
Repairs and Maintenance				
– Buildings		0.02		0.01
– Machinery		2.10		1.11
– Others		1.43		5.00
Printing and Stationery		4.69		4.31
Communication Expenses		18.45		14.84
Travelling		37.61		39.32
Auditors' Remuneration		2.32		2.28
Outward Freight		177.15		215.40
Brokerage / Commission		14.76		24.04
Distribution Expenses		83.71		105.43
Discounts and Quality Rebates		5.40		5.00
Legal Charges		1.05		1.43
Professional Charges		28.26		21.27
Advertisement and Sales Promotion		117.83		118.43
Amortisation of Miscellaneous Expenditure		5.26		5.26
Impairment of Fixed Assets		3.64		0.91
Miscellaneous Expenses		23.36		24.19
Provision for Doubtful Advances		0.82		4.65
Provision for Doubtful Debts		0.36		72.21
Profit on Fixed Assets Discarded/Sold (net)		(4.68)		(0.68)
		854.40		1,005.84
Deduct: Recovery of Costs		0.25		0.79
		854.15		1,005.05

* Contribution to Superannuation Fund is net of adjustment amounting to Rs. 3.89 million (2005 – Rs. 7.87 million) made out of contributions made in the earlier years lying in the forfeiture account of the Retiral Benefit Fund books



SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Interest and Finance Charges				
Interest cost		25.26		42.07
Bank / Finance charges		9.56		10.32
Exchange Loss (net)		4.64		12.91
		<u>39.46</u>		<u>65.30</u>
Less: Interest received on Loans, Deposits, Advances etc.*		<u>0.35</u>		<u>3.61</u>
		39.11		61.69
		<u>39.11</u>		<u>61.69</u>

* Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax deducted thereon is Rs. 0.10 million (2005 – Rs. 0.32 million)





SCHEDULES TO THE ACCOUNTS

18. NOTES TO THE ACCOUNTS

- (i) Capital commitments Rs. 0.89 million (2005 – Rs. 0.87 million).
- (ii) Contingent Liabilities:
- a) Income Tax matters under appeal – Income Tax matter on Slump sale of Mantralayam undertaking relating to Assessment Year 1997-1998 Rs.128.70 million (2005 – Rs.128.70 million) and demand for payment of tax under the Provisions of Section 115 JB of the Income Tax Act, 1961 relating to Assessment Year 2002-2003 Rs.0.66 million (2005 – Rs. 0.66 million).
 - b) Other matters under appeal –
 - i) Sales Tax demand on stock transfers Rs.0.30 million (2005 - Rs. Nil).
 - ii) Entry Tax on Crude Oil in the state of Rajasthan Rs.36.87 million (2005 - Rs. Nil).
 - iii) Excise duty on pet bottles manufactured by job workers Rs.1.60 million (2005 - Rs. Nil).
 - c) Claims under dispute Rs. Nil (2005 – Rs.1.00 million).
 - d) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs.1.18 million (2005 – Rs. 0.73 million).
- (iii) Extraordinary Items (net) comprise of –
- a) Mantralayam undertaking license arrangement Settlement Cost
The Company had a license arrangement in respect of Mantralayam undertaking owned by ITC Limited (ITC) which expired on 26th September 2001. The matter pertaining to extension of such arrangement was referred to arbitration and accordingly a settlement agreement was signed with ITC, which resolved the matter involving the extension of licensing arrangement. This settlement required a payment of Rs.430.00 million over a period of five years. It was decided that this settlement cost to be amortised on the basis of enduring benefits expected in future due to decentralisation of manufacturing operations and accordingly Rs.180.50 million was amortised till the last financial year i.e. 2004-05, including Rs.89.10 million for the year ended 31st March 2005.

The Company was able to negotiate better costs due to increased capacity creation at ports leading to higher unutilised capacities in the hinterland where the Company has tied up capacities. Consequently, the enduring benefits due to decentralisation of manufacturing operations were reviewed during the current financial year which indicate that the cumulative benefits from decentralised operations have exceeded the settlement cost (of Rs.430.00 million) paid/payable to ITC. Therefore, the unamortised settlement cost of Rs.249.50 million is charged as an extraordinary item in these accounts. Further, an amount of Rs.160.40 million (2005 - Rs.249.50 million) being unpaid settlement cost has been shown under Deferred Payment Liability in the Balance Sheet.
 - b) Sale of investments in Advanta India Limited
An extraordinary income of Rs.193.18 million (2005 - Rs.Nil) being the profit on sale of long-term investment in Advanta India Limited for a consideration of Rs 288.15 million (2005 - Rs. Nil), which is considered no longer strategic.
- (iv) Investment Allowance Reserve
Investment Allowance Reserve aggregating Rs. 9.20 million created during the Financial Year 1991-92 has been transferred during the year to the Profit and Loss Account, as the same has been utilised for acquisition of new plant and machinery as required under the relevant Provisions of the Income Tax Act, 1961.
- (v) Leases
The Company has entered into various operating lease agreements and the amounts paid during the year under such agreements aggregating to Rs.28.34 million (2005 – Rs. 34.92 million) have been charged to revenue. These agreements are cancellable in nature.
- (vi) There are no dues to Small Scale Industrial undertakings that are outstanding for more than 30 days.

(vii) Intangible Assets

Brands purchased by the Company are being amortised on straight line method based on their estimated useful lives. Consequently, amortisation cost for the year includes a sum of Rs. 9.28 million (2005 – Rs. 9.28 million) being the amortisation relating to these brands. On the Balance Sheet date, the management has assessed the value of these brands through an independent valuer of repute to ensure that the recoverable amounts of these assets are not lower than their carrying amounts.

(viii) Earning Per Share

The earnings considered in ascertaining the Company's Earnings Per Share comprise net profit after tax (and includes the post tax effect of any Extraordinary Items). The number of shares (nominal value of Rs. 10) used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

Computation of Earnings per Share (EPS):

	For the year ended 31st March, 2006 Rs. Millions	For the year ended 31st March, 2005 Rs. Millions
Profit Before Extraordinary Items	101.15	89.74
Net Profit After Extraordinary Items	44.83	0.64
Weighted Average No. of Equity Shares of Rs. 10 each	24.37	24.37
EPS (Basic and Diluted)		
– before Extraordinary Items (Rs.)	4.15	3.68
– after Extraordinary Items (Rs.)	1.84	0.03

(ix) Purchases shown under Schedule 15 are net of rebates, discounts, claims and settlements/commodity futures amounting to Rs.13.62 million (Credit) (2005 – Rs. 28.59 million (Credit)).

(x) Directors Remuneration included under various heads of Accounts are :

Salary*	0.57	0.48
Retirement Benefits**	0.15	0.13
Other Benefits	0.71	0.82
Sitting Fee	0.40	0.40
	1.83	1.83

Notes:

* Remuneration includes performance bonus paid during the year.

** Remuneration as given above does not include leave encashment benefit accrued and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the Director cannot be ascertained separately.

(xi) Auditors Remuneration included in Schedule 16 are:

Audit Fees	1.35	1.32
Fees for Certification	0.95	0.91
Reimbursement of Expenses	0.02	0.05
	2.32	2.28

(xii) Related Party Transactions

1. Subsidiary Company

Heera Seeds Trading and Warehousing Limited

Expenses incurred on behalf
Year end balance – payable

0.02	0.01
14.77	14.78



**For the year ended
31st March, 2006
Rs. Millions**

**For the year ended
31st March, 2005
Rs. Millions**

2. Companies		
– CAG-Tech (Mauritius) Limited – Holding Company (Refer Note (a) below)		
– ConAgra Foods Inc] having significant influence	
– Tiger Management Services		
– Lamb Weston Meijer & Inc		
– Advanta India Limited – Joint Venture (upto 31st July, 2005)		
Transactions with ConAgra Foods Inc		
– Purchase of materials	36.48	14.75
– Stock in transit	8.83	—
– Recovery of expenses	4.36	6.04
– Income earned on services rendered	2.43	6.42
Year end balances		
– Receivable	—	3.28
– Payable	—	0.90
Transactions with Tiger Management Services		
– Payment of Travel Expenses	0.50	0.18
Transactions with Lamb Weston Meijer & Inc		
– Purchase of material	11.34	1.06
Year end balances		
– Payable	1.74	—
Transactions with Advanta India Limited		
– Dividend received	—	31.50
Year end balances		
– Receivable	—	22.05
– Payable	—	0.04
3. Key Management Personnel		
Whole time Director – Mr. Tushar I Chudgar		
Other Key Management Personnel		
Mr. Utpal Sen Gupta		
Mr. Arvind Ahuja		
Mr. Ravi Krishnamoorthy		
Mr. Madusudan Manvi		
Mr. K.S. Shyam		
Mr. Atul Sinha		
Loans advanced during the year	—	0.06
Loans repaid during the year	0.02	1.16
Loans outstanding	0.51	0.53
Remuneration (Refer note (b) and (c) below)	35.05	34.60

Notes:

- (a) CAG-Tech (Mauritius) Limited, which held 51% shares in the Company (i.e. 12,500,000 shares), sold 3% shares resulting in reduction of its stake to 48% (i.e. 11,723,154 shares). With these changes CAG-Tech (Mauritius) Limited ceased to be the holding Company during the current year.
- (b) Remuneration as given above does not include leave encashment benefit accrued and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the managerial personnel cannot be ascertained separately.
- (c) Remuneration includes performance bonus paid during the year.



(xiii) Additional information pursuant to the Provisions of paragraph 3, 4c and 4d of Part II of Schedule VI of Companies Act, 1956.

a) Class of Goods, Capacity and Production:

Class of Goods	Unit	Licenced Capacity		Installed Capacity @		Actual Production	
		2006	2005	2006	2005	2006	2005
- Edible Oils	MT	N.A.	N.A.	N.A.	N.A.	6,526 +*	8,868 +*
- Refined Edible Oils	MT	N.A.	N.A.	N.A.	N.A.	32,954 +	34,941 +
- De Oiled Cake	MT	N.A.	N.A.	N.A.	N.A.	8,079 +	10,291 +
- Atta	MT	N.A.	N.A.	N.A.	N.A.	1,247 +	3,302 +
- Others	MT	N.A.	N.A.	N.A.	N.A.	1,292 +	1,245 +

@ This is as certified by the Management.

+ Actual production includes quantities produced out of capacity taken on lease (upto 31st March, 2005) and third party operations.

* Includes captive consumption of 1,134 MT (2005 – 5,014 MT).

b) Particulars in respect of Sales/Stocks:

	Unit	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
		Quantity	Value Rs. Millions	Quantity	Value Rs. Millions
1. Sales					
Refined Edible Oils	MT	139,659	6,670.29	117,705	6,096.47
Edible Oils	MT	30,939	1,136.67	44,686	1,276.68
Seed	MT	898	18.95	25,933	468.81
Vanaspati	MT	26,605	1,185.47	28,053	1,383.66
Others	—	—	367.78	—	1,206.51
			<u>9,379.16</u>		<u>10,432.13</u>
2. Purchase of Finished Goods					
Refined Edible Oils	MT	133,396	5,643.40	109,104	4,872.96
Others	—	—	47.45	—	24.00
			<u>5,690.85</u>		<u>4,896.96</u>
3. Purchase of Raw Material for Trading					
Edible Oils	MT	25,096	899.09	38,858	997.32
			<u>899.09</u>		<u>997.32</u>
4. Stock in Trade					
Opening					
Refined Edible Oils	MT	3,486	159.42	5,438	273.64
Edible Oils	MT	3,655	142.46	5,947	248.84
Others	—	—	20.45	—	39.94
			<u>322.33</u>		<u>562.42</u>
Closing					
Refined Edible Oils	MT	3,458	151.06	3,486	159.42
Edible Oils	MT	5,333	194.54	3,655	142.46
Others	—	—	15.93	—	20.45
			<u>361.53</u>		<u>322.33</u>

Closing stock quantities are after adjustment of samples, transit claims/loss and also quantities used for other products.



Agro Tech Foods Limited

	Unit	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
		Quantity	Value Rs. Millions	Quantity	Value Rs. Millions
c) Raw materials consumed:					
Seeds*	MT	18,230	289.01	49,657	854.80
Edible Oils**	MT	65,312	1,977.71	81,271	2,359.17
Wheat***	MT	16,717	126.81	97,632	688.13
Others****		—	63.72	—	191.67
			<u>2,457.25</u>		<u>4,093.77</u>

* includes quantity used for resale 898 MT (2005 – 25,933 MT).

** includes quantity used for resale 30,939 MT (2005 – 44,686 MT).

*** includes quantity used for resale 15,412 MT (2005 – 93,429 MT).

**** includes quantity used for resale Nil MT (2005 – 13,427 MT).

d) Packing materials consumed 201.44 196.79

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Value Rs. Millions	%	Value Rs. Millions	%
e) Consumption of Raw Materials, Stores and Spare Parts:				
Raw Materials:				
– Indigenous	2,326.06	94.66	3,585.92	87.59
– Imported	131.19	5.34	507.85	12.41
	<u>2,457.25</u>	<u>100.00</u>	<u>4,093.77</u>	<u>100.00</u>
Stores and Spare Parts:				
– Indigenous	0.12	100.00	0.58	100.00
	<u>0.12</u>	<u>100.00</u>	<u>0.58</u>	<u>100.00</u>
f) CIF Value of imports:				
Raw Materials	137.81		495.25	
Finished Goods	124.29		7.39	
	<u>262.10</u>		<u>502.64</u>	
g) Earnings in Foreign Exchange:				
Exports of goods on FOB basis	9.01		178.78	
Others	6.91		14.49	
	<u>15.92</u>		<u>193.27</u>	
h) Expenditure in Foreign Currency (Cash Basis):				
Foreign Travel	0.60		0.86	
Interest/Finance Charges	5.83		21.66	
Software Licence	1.37		0.38	
Others	0.05		0.95	
	<u>7.85</u>		<u>23.85</u>	

xiv) Comparative figures of the previous year have been regrouped wherever necessary to conform to those of the current year.

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date : 1st May, 2006

Cash Flow Statement for the year ended 31st March, 2006

	2006 Rs. Millions	2005 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/(Loss) before Tax and after Extraordinary Items	61.33	(18.48)
Adjustments:		
Depreciation and Brand Amortisation	23.06	24.72
Profit on Disposal of Fixed Assets (net)	(4.68)	(0.68)
Profit on Sale of Investments (net)	(0.27)	(0.63)
Interest (net)	24.91	38.46
Provision for Doubtful Debts	0.36	72.22
Provision for Doubtful Advances	0.82	4.64
Amortisation of Miscellaneous Expenditure	5.26	5.26
Extraordinary items (net)	56.32	89.10
Impairment Provision	3.64	0.91
Dividend Received	—	(31.50)
Foreign exchange loss	4.64	12.91
Operating Profit before Working Capital Changes and Extraordinary Items	175.39	196.93
Adjustments for:		
Trade and other Receivables	95.59	53.00
Inventories	(45.71)	414.62
Trade Payables	38.75	(557.20)
Cash from Operations before Extraordinary Item	264.02	107.35
Direct Taxes refund received	—	1.15
Income Taxes Paid	(13.70)	—
Net Cash from Operating activities before Extraordinary Item	250.32	108.50
Extraordinary Item (Refer note (iii) (a) on Schedule 18)	(89.10)	(89.10)
Net Cash from Operating activities	161.22	19.40
B. CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(7.64)	(8.94)
Sale of Fixed Assets (net)	23.46	7.36
Purchase of Short Term Investments	(189.00)	(1,714.59)
Sale of Short Term Investments	189.26	1,715.23
Dividend Received	—	31.50
Interest Received	0.35	3.61
Proceeds from sale of long-term investments	0.02	—
Net cash used from Investing Activities before Extraordinary Item	16.45	34.17
Extraordinary Item (Refer note (iii) (b) on Schedule 18)	288.15	—
Net Cash from Investing activities	304.60	34.17

	2006 Rs. Millions	2005 Rs. Millions
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from short term loans	3,122.50	2,422.21
Repayment of short term loans	(3,482.50)	(2,672.44)
Proceeds from/(Repayments of) other Borrowings	(50.29)	246.63
Hedging Costs (net)	(3.67)	(12.59)
Interest Paid	(25.26)	(42.07)
Net cash used in Financing Activities	(439.22)	(58.26)
Net (Decrease) / Increase in Cash and Cash Equivalents	26.60	(4.69)
Opening Cash and Cash Equivalents	9.36	14.05
Closing Cash and Cash Equivalents	35.96	9.36

Notes:

- Comparative figures of previous year have been regrouped to conform to those of the current year.
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India.

On behalf of the Board

Tuhin Bagchi
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006



Information pursuant to Schedule VI – Part IV:

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details

Registration No. 0 1 - 0 6 9 5 7 State Code 0 1
 Balance Sheet Date 3 1 0 3 0 6
 Date Month Year

II. Capital raised during the Year (Amount in Rs. Thousands)

Public Issue NIL Rights Issue NIL
 Bonus Issue NIL Private Placement/Preferential Offer NIL

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Sources of Funds
 Total Liabilities 9 6 7 9 8 2 Total Assets 9 6 7 9 8 2
 Paid-Up Capital 2 4 3 6 9 3 Reserves & Surplus 7 2 1 2 8 8
 Secured Loans 3 0 0 1 Unsecured Loans NIL

Application of Funds
 Net Fixed Assets 3 4 0 3 8 8 Investments 1 4 1 1 4
 Net Current Assets 5 4 3 1 8 0 Miscellaneous Expenditure 6 1 3 8
 Accumulated Losses 1 6 3 3 9 7 Deferred Tax Asset 6 1 1 6 5
 Deferred Payment Liability - 1 6 0 4 0 0

IV. Performance of Company (Amount in Rs. Thousands)

Turnover 9 3 7 9 1 6 1 Total Expenditure 9 2 6 1 5 1 3
 Profit/Loss Before Tax and extraordinary item + 1 1 7 6 4 8 Profit/Loss After Tax + 4 4 8 2 5

(Tick appropriate box + for Profit, - for Loss)

Earnings per share in Rs. 1 . 8 4 Dividend Rate % NIL

V. Generic Names of Principal Products/Services of Company (Not Applicable)

Product Description Sunflower Seed Oil
 Item Code No. (ITC CODE) 1 5 1 2 1 1
 Product Description RBD Palm Oil
 Item Code No. (ITC Code) 1 5 1 1 9 0
 Product Description Oil Cake and Oil Cake meal of Sunflower Seed solvent extracted
 Item Code No. (ITC Code) 2 3 0 6 3 0

On behalf of the Board

Place : Secunderabad
 Date : 1st May, 2006

Utpal Sen Gupta
 President

Lt. Gen. D.B. Singh
 Director

Sanjaya Kulkarni
 Director

Tushar Chudgar
 Director & Secretary



Agro Tech Foods Limited

AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

1. We have audited the attached Balance Sheet of Agro Tech Foods Limited, as at March 31, 2006, and the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in paragraph 3 above, we report that:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - e) On the basis of written representations received from the directors, as on March 31, 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - f) In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2006;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Place : Hyderabad
Dated : May 1, 2006

Tuhin Bagchi
Partner
Membership Number 50497
For and on behalf of
Lovelock & Lewes
Chartered Accountants



Agro Tech Foods Limited

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF AGRO TECH FOODS LIMITED

(Referred to in paragraph 3 of the Auditors' Report of even date to the members of Agro Tech Foods Limited on the financial statements as at and for the year ended March 31, 2006)

1. a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets.
b) The fixed assets of the Company, except the intangible assets, have been physically verified by the management during the year and no material discrepancies between the book records and the physical inventory have been noticed. In our opinion, the frequency of verification is reasonable.
c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets has not been disposed of by the Company during the year.
2. a) The inventory has been physically verified by the management during the year. In respect of inventory lying with consignment agents, these have substantially been confirmed by them. In our opinion, the frequency of verification is reasonable.
b) In our opinion, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
c) On the basis of our examination of the inventory records, in our opinion, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted / taken any loan, secured or unsecured to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Act, Clauses iii(b), iii(c), iii(d), iii(f) and iii (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable to the Company for the current year.
4. In our opinion and according to the information and explanations given to us, having regard to the explanation that certain items purchased are of special nature for which suitable alternative sources do not exist for obtaining comparative quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory, fixed assets and for the sale of goods and services. Further, on the basis of our examination of the books and records of the Company, and according to the information and explanations given to us, we have neither come across nor have been informed of any continuing failure to correct major weaknesses in the aforesaid internal control system.
5. According to the information and explanations given to us, there have been no contracts or arrangements referred to in section 301 of the Act during the year to be entered in the register required to be maintained under that section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.
6. The Company has not accepted during the year any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company in respect of products where, pursuant to the Rules made by the Central Government of India, the maintenance of cost records has been prescribed under clause (d) of sub-section (1) of Section 209 of the Act and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.



Agro Tech Foods Limited

9. a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities.

b) According to the information and explanations given to us and the records of the Company examined by us, the particulars of dues of income-tax, sales-tax, wealth tax, service tax, customs duty, excise duty and cess as at March 31,2006 (without considering amounts paid, matters in respect of which are in appeal) which have not been deposited on account of a dispute, are as follows:-

Name of the statute	Nature of dues	Amount (Rs. Millions)	Period to which the amount relates	Forum where the dispute is pending
Central Excise Act, 1944	Excise duty	1.60	2000 -2001	Joint Commissioner (Central Excise)
	CENVAT credit	0.88	2004 - 2005	Joint Commissioner (Central Excise)
Maharashtra VAT Act & Rules, 2005	Sales Tax	0.19	1997 - 1998	Appellate Assistant Commissioner, Commercial Taxes
Gujarat Sales Tax Act, 1970	Sales Tax	0.37	1998 - 1999	Appellate Assistant Commissioner, Commercial Taxes
		0.12	1999 - 2000	Assistant Commissioner, Commercial Taxes
Andhra Pradesh VAT Act & Rules, 2005	Sales Tax	3.89	2001 - 2002	Sales Tax Appellate Tribunal
		2.68	2002 - 2003	Appellate Deputy Commissioner, Commercial Taxes
		1.77	2004 - 2005	Appellate Deputy Commissioner, Commercial Taxes
Customs Act, 1962	Customs Duty	9.20	2001 - 2002	Honourable High Court of Andhra Pradesh
West Bengal VAT Act & Rules, 2005	Sales Tax	0.60	2000 - 2001	Deputy Commissioner, Commercial Taxes
		0.72	2001 - 2002	Deputy Commissioner, Commercial Taxes
Bihar VAT Ordinance Act, 2005	Sales Tax	0.82	2001 - 2002	Joint Commissioner, Commercial Taxes
		2.27	2002 - 2003	Joint Commissioner, Commercial Taxes
Jharkhand Sales Tax Act, 2001	Sales Tax	0.38	2002 - 2003	Joint Commissioner, Commercial Taxes
Delhi VAT Act & Rules, 2005	Sales Tax	0.95	2003 - 2004	Deputy Commissioner (Appeals), Commercial Taxes
		2.03	2004 - 2005	Deputy Commissioner (Appeals), Commercial Taxes
Uttar Pradesh Sales Tax Act, 1948	Sales Tax	0.58	2003 - 2004	Deputy Commissioner (Appeals), Commercial Taxes
The Rajasthan Tax on Entry of Goods into Local Area Act, 1999	Entry Tax	19.19	2002 - 2003	Deputy Commissioner (Appeals), Commercial Taxes
		17.67	2003 - 2004	Deputy Commissioner (Appeals), Commercial Taxes
Rajasthan Sales Tax Act, 1954	Sales Tax	0.30	2001 - 2002	Honourable High Court of Jodhpur
Kerala VAT Act & Rules, 2005	Sales Tax	0.60	2003 - 2004	Deputy Commissioner (Appeals), Commercial Taxes
Tamil Nadu Sales Tax Act, 1959	Sales Tax	0.64	2000 - 2001	Deputy Commissioner (Appeals), Commercial Taxes

10. The Company has accumulated losses as at March 31,2006 and it has not incurred any cash losses in the financial year ended on that date or in the immediately preceding financial year.

11. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the balance sheet date. The Company has not issued any debentures.

12. The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

13. The Provisions of any special statute applicable to chit fund / nidhi / mutual benefit fund/societies are not applicable to the Company.

14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.



Agro Tech Foods Limited

15. In our opinion, and according to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from banks or financial institutions during the year.
16. The Company has not obtained any term loans.
17. On the basis of an overall examination of the Balance Sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis which have been used for long-term investment.
18. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year.
19. The Company has not issued any debentures and hence commenting under this clause does not arise.
20. The Company has not raised any money by public issues during the year.
21. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year, nor have we been informed of such case by the management.

Place : Hyderabad
Dated : May 1, 2006

Tuhin Bagchi
Partner
Membership Number 50497
For and on behalf of
Lovelock & Lewes
Chartered Accountants



STATEMENT REGARDING SUBSIDIARY COMPANY

Pursuant to Section 212 of the Companies Act, 1956

Rs. Millions

1. HEERA SEEDS TRADING AND WAREHOUSING LIMITED

- | | |
|--|--------|
| a) Holding Company's interest:
2,000,000 Equity Shares of Rs.10 each fully paid. | |
| b) Net aggregate amount of Subsidiary's Profits/(Losses)
not dealt with in the Holding Company's accounts : | |
| i) for the Subsidiary's financial year ended 31st March,2006 | — |
| ii) for the previous financial years | — |
| c) Net aggregate amount of Subsidiary's Profits/(Losses)
dealt with in the Holding Company's accounts : | |
| i) for the Subsidiary's financial year ended 31st March,2006 | — |
| ii) for the previous financial years | (6.00) |

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place: Secunderabad
Date : 1st May, 2006



Consolidated Financial Statements





STATEMENT ON SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PREPARATION OF ACCOUNTS

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis, to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant Provisions of the Companies Act, 1956.

Financial Statements of the Subsidiary Company are consolidated on line-by-line basis by adding together like items of assets, liabilities, income and expenses. Any significant inter group balances and transactions, and any unrealised gains from inter-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Financial Statements of the jointly controlled entity are consolidated on a line-by-line basis, using proportionate consolidation method, adding together like items of assets, liabilities, income and expenses. Any significant inter group balances and transactions, and any unrealised gains from inter-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Consolidated Financial Statements are prepared by applying accounting policies, as followed by the Company and its subsidiary / jointly controlled entity, to the extent it is practicable. Significant differences in the accounting policies, if any, are appropriately disclosed by way of Notes to the Consolidated Financial Statements.

REVENUE RECOGNITION

Sales are recognised when goods are despatched or as per the terms of contract.

Dividend / Income from Investments are recognised when declared/accrued.

Export entitlements under the Duty Entitlement Pass Book (DEPB) Scheme are recognised in the Profit and Loss account when the right to receive credit as per the tenure of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

FIXED ASSETS AND INTANGIBLE ASSETS

Fixed assets including computers and related assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition. In respect of major projects involving construction, relative pre-operative expenditure forms a part of the assets capitalised. Assets under installation or under construction as at the Balance Sheet date are shown as Capital Work-in-Progress.

Depreciation is provided on straight line method based on the useful lives of the fixed assets as estimated by the management as specified below, or the rates specified in accordance with the Provisions of Schedule XIV of the Companies Act, 1956, whichever is higher.

- Office equipment, Computer and related hardware and software 19%
- Plant and Machinery 6.33% to 9.5%
- Furniture and Fixtures 10%

In respect of assets given to the employees under a scheme, depreciation is provided at rates determined on the basis of the useful economic lives of these assets (5 years), and the rates are higher than Schedule XIV rates.

All the fixed assets are assessed for any indication of impairment, at the end of each financial year. On such indication, the impairment loss being the excess of carrying value over the recoverable value of the assets is charged to the profit and loss account in the respective financial years. The impairment loss recognised in the prior years is reversed in such cases where the recoverable value exceeds the carrying value, upon re-assessment in the subsequent years.

Significant Brands acquired by the Company, the value of which is not expected to diminish in the foreseeable future are capitalised and recorded in the Balance Sheet as Trade Marks. These are amortised on straight-line method over the estimated useful life of forty years determined by persuasive evidences of expected usage



contributing towards the performance and significant expenditure incurred to sustain the useful life of brands. Recoverable value of such brands is assessed in each financial year.

RESEARCH AND DEVELOPMENT EXPENDITURE

Research and Development Expenditure are charged to revenue in the year in which these are incurred.

INVESTMENTS

Investments are classified into current and long-term investments. Current investments are stated at the lower of cost and fair value. Long-term investments are stated at cost. A provision for diminution is made to recognise a decline, other than temporary, in the value of long-term investments.

INVENTORIES

Inventories are valued at weighted average cost or below. Consumption and/or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid/payable thereon.

Goods in transit / with third parties and at godowns are valued at cost which represents the costs incurred upto the stage at which the goods are in transit / with third parties and at godowns.

FOREIGN EXCHANGE CONVERSION

The transactions in foreign currency are accounted for at the exchange rate prevailing at the date of the transactions. Gains/losses arising out of fluctuations in exchange rates are accounted for on subsequent realisation / payment. The differences between forward exchange rates and the exchange rates at the date of transaction are recognised as income or expense over the life of the contracts.

Current Assets and Current Liabilities covered by forward contracts are stated at forward contract rates while those not covered by forward contracts are restated at the rate prevailing on Balance Sheet date and the resultant gains / losses are recognised in the Profit and Loss Account.

The original cost of fixed assets acquired through foreign currency loans at the end of each financial year is adjusted for any change in liability arising out of expressing the outstanding foreign currency loan at the rate of exchange prevailing on the date of the Balance Sheet.

PAYMENTS AND BENEFITS TO EMPLOYEES

Liabilities in respect of retirement and death benefits are provided for by payments to retiral funds. The amounts of the payments to pension, gratuity and leave encashment benefit are determined on an actuarial basis as at the end of the accounting period.

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad
Date : 1st May, 2006



BALANCE SHEET AS AT 31st MARCH, 2006

Schedules	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
I. SOURCES OF FUNDS				
Shareholders' Funds				
Capital	1	243.69	243.69	
Reserves & Surplus	2	721.29	782.89	
				1,026.58
Loan Funds				
Secured Loans	3	3.00		413.30
TOTAL		967.98		1,439.88
II. APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	4	531.46	742.10	
Less: Depreciation / Amortisation		167.61	203.60	
Net Block		363.85	538.50	
Less: Impairment Provision		26.17	38.02	
Adjusted Net Block		337.68	500.48	
Capital Work-in-Progress		2.71	3.23	
				503.71
Investments	5			0.15
Deferred Tax Assets – Net	6			54.91
Current Assets, Loans and Advances				
Inventories	7	488.83	489.21	
Sundry Debtors	8	381.13	301.33	
Cash and Bank Balances	9	36.02	61.66	
Other Current Assets	10	2.29	1.23	
Loans and Advances	11	326.76	564.78	
		1,235.03	1,418.21	
Less:				
Current Liabilities and Provisions				
Liabilities	12	667.91	714.48	
Provisions		9.14	15.55	
		677.05	730.03	
Net Current Assets		557.98		688.18
Deferred Payment Liability		(160.40)		(249.50)
(Refer Note (iv) (a) on Schedule 18)				
Miscellaneous Expenditure	13	6.14		260.90
(to the extent not written off or adjusted)				
Profit and Loss Account		162.59		181.53
TOTAL		967.98		1,439.88
Notes to the Accounts				
	18			
The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet				

This is the Balance Sheet referred to in our report of even date

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006



PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2006

Schedules	For the year ended 31st March, 2006 Rs. Millions	For the year ended 31st March, 2005 Rs. Millions
INCOME		
Sales (Net of Trade Discounts)	9,539.43	10,687.72
Less: Excise Duty	—	9.37
Sales (Net)	9,539.43	10,678.35
Other Income	17.74	31.11
	9,557.17	10,709.46
EXPENDITURE		
Material Consumption	8,360.57	9,311.84
Manufacturing, Selling etc., expenses	969.95	1,227.27
Interest and Finance Charges	39.40	58.15
	9,369.92	10,597.26
PROFIT BEFORE DEPRECIATION / AMORTISATION	187.25	112.20
Depreciation / Amortisation	25.29	31.44
PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS	161.96	80.76
Provision for Taxation	—	—
– Current	8.67	7.85
– Fringe Benefit Tax	11.09	—
– Deferred Tax	2.36	(21.45)
Prior Period	—	27.50
Less: Contingency Reserve	—	(27.50)
PROFIT BEFORE EXTRAORDINARY ITEMS	139.84	94.36
EXTRAORDINARY ITEMS (NET)	182.50	89.10
(Refer Note (iv) on Schedule 18)		
NET PROFIT / (LOSS)	(42.66)	5.26
Transfer to General Reserve	—	(3.65)
Transfer from Investment Allowance Reserve (Refer Note (v) on Schedule 18)	9.20	—
Transfer from State Investment Subsidy (Refer Note (i) on Schedule 18)	1.00	—
Transfer from Contingency Reserve (Refer Note (i) on Schedule 18)	51.40	1.30
Interim Dividend	—	6.30
Dividend Tax on Interim Dividend	—	0.83
Proposed Dividend	—	22.05
Dividend Tax	—	3.09
Loss brought forward	(181.53)	(152.17)
Deficit carried forward to Balance Sheet	(162.59)	(181.53)
Earnings Per Share		
Basic and Diluted – before Extraordinary Items (Rs.)	5.74	3.87
– after Extraordinary Items (Rs.)	(1.75)	0.22

Notes to the Accounts

18

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

On behalf of the Board

Tuhin Bagchi
Partner

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
1. Capital				
Authorised:				
25,000,000 Equity Shares of Rs. 10 each		250.00		250.00
1,000,000 Cumulative, Redeemable Preference Shares of Rs. 100 each		100.00		100.00
		<u>350.00</u>		<u>350.00</u>
Issued:				
24,372,139 Equity Shares of Rs. 10 each		243.72		243.72
Subscribed and Paid up:				
24,369,264 Equity Shares of Rs. 10 each fully paid up (Refer Note (viii) (a) on Schedule 18)		243.69		243.69
		<u>243.69</u>		<u>243.69</u>
2. Reserves and Surplus				
Share Premium Account		721.29		721.29
Investment Allowance Reserve				
As at the commencement of the year	9.20		9.20	
Transferred to Profit and Loss Account (Refer Note (v) on Schedule 18)	(9.20)	-	-	9.20
State Investment Subsidy				
As at the commencement of the year	1.00		1.00	
Less: Transferred to Profit and Loss Account on sale of investments in Advant India Limited (Refer Note (i) on Schedule 18)	(1.00)	-	-	1.00
Contingency Reserve				
As at the commencement of the year	51.40		80.20	
Less: Transferred to Profit and Loss Account on sale of investments in Advant India Limited (Refer Note (i) on Schedule 18)	(51.40)	-	(28.80)	51.40
		<u>721.29</u>		<u>782.89</u>
3. Secured Loans				
Loan from Banks				
Short Term Loans	-		390.53	
Cash credit and Export Packing Credit	3.00		22.77	
		<u>3.00</u>		<u>413.30</u>
		<u>3.00</u>		<u>413.30</u>

The above loans are secured by hypothecation of current assets including inventory and book debts both present and future

SCHEDULES TO THE ACCOUNTS

4. Fixed Assets

	Goodwill	Free- hold Land	Lease- hold Land	Buildings	Plant & Machi- nery	Furniture & Fixtures	Trade Marks	Technical Know- how	Vehicles	Total 2006	Total 2005
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
ORIGINAL COST (GROSS BLOCK)											
Cost at the beginning of the year	63.47	17.04	0.69	69.99	151.92	24.15	370.84	25.77	18.23	742.10	740.77
Additions during the year	—	—	—	—	6.08	0.57	—	—	2.07	8.72	13.61
Withdrawals during the year	63.47	17.04	0.69	69.99	158.00	24.72	370.84	25.77	20.30	750.82	754.38
	—	—	—	34.03	9.23	0.28	—	—	4.14	47.68	12.28
Adjustment on account of sale of investment in Advanta India Limited (refer note (i) on schedule 18)	63.47	17.04	0.69	35.96	148.77	24.44	370.84	25.77	16.16	703.14	742.10
Cost (Gross Block) as at 31st March 2006	—	0.60	0.69	11.11	113.50	21.29	370.84	—	13.43	531.46	742.10
DEPRECIATION / AMORTISATION											
At the beginning of the year	—	—	0.32	9.79	70.54	12.96	78.09	22.62	9.28	203.60	175.37
For the year	—	—	0.02	0.46	10.13	1.53	9.28	1.05	2.82	25.29	31.44
Withdrawals during the year	—	—	0.34	10.25	80.67	14.49	87.37	23.67	12.10	228.89	206.81
	—	—	—	4.08	5.36	0.25	—	—	3.61	13.30	3.21
Adjustment on account of sale of investment in Advanta India Limited (refer note (i) on schedule 18)	—	—	0.34	6.17	75.31	14.24	87.37	23.67	8.49	215.59	203.60
As at 31st March 2006	—	—	0.34	2.08	57.43	12.80	87.37	—	7.59	167.61	203.60
NET BLOCK											
As at 31st March 2006 (a)	—	0.60	0.35	9.03	56.07	8.49	283.47	—	5.84	363.85	538.50
Provision for impairment as at 1st April, 2005	—	—	—	15.16	17.52	5.23	—	—	0.11	38.02	39.45
For the year	—	—	—	—	3.64	—	—	—	—	3.64	0.91
Withdrawals during the year	—	—	—	15.16	21.16	5.23	—	—	0.11	41.66	40.36
	—	—	—	12.56	2.80	0.02	—	—	0.11	15.49	2.34
As at 31st March 2006 (b)	—	—	—	2.60	18.36	5.21	—	—	—	26.17	38.02
ADJUSTED NET BLOCK											
As at 31st March 2006 (a-b)	—	0.60	0.35	6.43	37.71	3.28	283.47	—	5.84	337.68	500.48
As at 31st March 2005	63.47	17.04	0.37	45.04	63.86	5.96	292.75	3.15	8.84	500.48	
Capital Work-In-Progress at cost (Represents Capital Advances – unsecured and considered good)										2.71	3.23

Notes:

- Buildings (including cost of shares in Co-operative Societies) include Rs. 8.08 million (2005- Rs. 8.08 million) pending registration in the name of the Company.
- Carrying value of Trade Marks represents the value of brands viz, "Sundrop" and "Rath" amounting to Rs.283.47 million (2005 - Rs. 292.75 million).
- The unexpired amortisation period for "Sundrop" is 29 years and for "Rath" is 34 years.
- The Company has re-assessed all the fixed assets for impairment and the current year provision of Rs.3.64 million (2005 - Rs 0.91 million) has been charged to the Profit and Loss Account.

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
5. Investments				
Long Term: At Cost (Unquoted)				
A Government Securities (NSC's redeemed during the year – Rs. 0.01 million (2005 – Rs. Nil)		0.11		0.12
6 year National Saving Certificate		—		0.02
Indira Vikas Patra		—		0.01
B Others				
Trade				
ITC Classic Real Estate Finance Limited, — 5,000,000 Equity Shares of Rs. 10 each fully paid up	—		100.50	
Less: Provision for Diminution in value (sold during the year)	—		100.50	
		—		—
Short Term: At cost or below				
Others (Unquoted)				
Investment in Mutual Funds				
HDFC Liquid Short Term Plan (13,916,453 units) (Purchased and sold during the year)		—		—
		0.11		0.15
6. Deferred Tax Asset (Net)				
Deferred Tax Asset –				
On Unabsorbed Depreciation	56.96		62.15	
On Provision for Debts / Assets	34.72		37.88	
On Expenditure on payment basis	4.18		5.80	
Voluntary Separation Scheme	—		2.91	
		95.86		108.74
Deferred Tax Liability –				
On Depreciation		(34.69)		(53.83)
		61.17		54.91

Deferred tax assets and liabilities are computed on the timing differences applying the enacted tax rates

SCHEDULES TO THE ACCOUNTS

	31st March, 2006 Rs. Millions	31st March, 2005 Rs. Millions
7. Inventories		
Raw Materials*+ (including in transit)	299.08	236.60
Packing Materials*	22.76	29.78
Work in Process**	—	5.97
Finished Goods** (including in transit)	166.99	216.86
	488.83	489.21
<p>* at cost or below + at cost or net realisable value whichever is lower for Raw Material held for Trading ** at cost or net realisable value whichever is lower (Finished goods include goods sent on Consignment Rs. 4.02 million; 2005 – Rs. 2.87 million)</p>		
8. Sundry Debtors		
Secured		
Debts outstanding for a period exceeding six months		
– Considered good	—	0.03
Other debts		
– Considered good	—	1.03
Unsecured		
Debts outstanding for a period exceeding six months		
– Considered good	3.02	9.31
– Considered doubtful	96.19	97.14
Other debts		
– Considered good	378.11	290.96
– Considered doubtful	1.67	1.68
	478.99	400.15
– Less: Provision for doubtful debts	97.86	98.82
	381.13	301.33

SCHEDULES TO THE ACCOUNTS

	31st March, 2006 Rs. Millions	31st March, 2005 Rs. Millions
9. Cash and Bank Balances		
Cash and Cheques on hand	0.05	0.31
With Scheduled Banks:		
On Current Accounts	33.16	8.40
On Fixed Deposit Account*	2.68	52.82
Unclaimed Fixed Deposit account	0.13	0.13
	36.02	61.66
*Lodged as Security Deposit Rs. 2.55 million (2005 – Rs. 2.82 million)		
10. Other Current Assets		
Interest Receivable	0.20	0.60
Sales Promotion Material at Cost	2.09	0.63
	2.29	1.23
11. Loans and Advances		
(Secured – considered good)		
– Advances recoverable in cash or in kind or for value to be received	20.00	20.00
(Unsecured – considered good)		
– Loans*	6.56	10.93
– Advances recoverable in cash or in kind or for value to be received	109.04	313.88
– Advances with Government and Public Bodies	41.18	22.27
– Deposits with Government, Public Bodies and Others	18.80	23.91
– Advance Income Tax (including Tax Deducted at Source) (net of provision for tax)	131.18	173.79
(Unsecured – considered doubtful)		
– Loans	—	0.06
– Advances recoverable in cash or in kind or for value to be received	10.46	9.64
	337.22	574.48
– Less: Provision for doubtful Loans and Advances	10.46	9.70
	326.76	564.78

* Includes amounts due from a Director Rs. 0.03 million (2005 – Rs. 0.04 million). Maximum amount due at any time during the year Rs. 0.04 million (2005 – Rs. 0.06 million)

SCHEDULES TO THE ACCOUNTS

	31st March, 2006		31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
12. Current Liabilities and Provisions				
A. Liabilities				
Acceptances		184.35		174.69
Sundry Creditors				
– Due to Small Scale Industrial undertakings	3.95		1.21	
– Due to Others #	<u>387.82</u>		<u>417.12</u>	
		391.77		418.33
Advance from customers		10.64		54.83
Investor Education and Protection Fund shall be credited by the following amounts:				
Unclaimed Fixed Deposits		0.02		0.24
Interest accrued but not due		3.25		2.43
Other Liabilities		77.88		63.96
		<u>667.91</u>		<u>714.48</u>
# Includes amounts due to Directors Rs. Nil (2005 – Rs. 0.38 million)				
B. Provisions				
Provision for Provident Fund Scheme		0.15		0.35
Provision for Retiral Benefits		8.99		12.11
Provision for Dividend Tax (Other Venturer's Share)		—		3.09
		<u>9.14</u>		<u>15.55</u>
13. Miscellaneous Expenditure				
(to the extent not written off or adjusted)				
Expenditure on				
– Settlement Cost (Refer note (iv) (a) on Schedule 18)	—		249.50	
– Software Expenses	<u>6.14</u>		<u>11.40</u>	
		6.14		260.90
		<u>6.14</u>		<u>260.90</u>



Agro Tech Foods Limited

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
14. Other Income				
Profit on Sale of Investments		0.27		0.63
Sundry Claims/Excess Provisions/Unclaimed credits (net)		8.60		19.82
Miscellaneous Income		8.87		10.66
		<u>17.74</u>		<u>31.11</u>
15. Material Consumption				
Opening Stock				
Raw Materials	236.36		523.64	
Work in Process	19.51		17.00	
Packing Materials	26.88		20.51	
Finished Goods	203.32		330.12	
		<u>486.07</u>		<u>891.27</u>
Add: Purchases				
Raw Materials	2,519.98		3,806.49	
Packing Materials	197.31		203.17	
Finished Goods	5,690.85		4,896.98	
		<u>8,408.14</u>		<u>8,906.64</u>
Less: Closing Stock				
Raw Materials	299.08		236.36	
Work in Process	16.79		19.51	
Packing Materials	22.76		26.88	
Finished Goods	195.01		203.32	
		<u>533.64*</u>		<u>486.07</u>
		<u>8,360.57</u>		<u>9,311.84</u>

*Includes closing stocks of Advanta India Limited, Joint Venture as at 31st July, 2005 – Work-in-process Rs. 16.79 million and finished goods Rs. 28.02 million

SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
16. Manufacturing, Selling, etc., Expenses				
Salaries, Wages and Bonus	138.54		152.48	
Contribution to Provident and Other Funds (net)*	18.92		14.66	
Workmen and Staff Welfare Expenses	14.69		16.25	
		172.15		183.39
Consumption of Stores and Spare parts		6.19		11.04
Processing Charges		143.89		153.87
Power and Fuel		0.64		4.89
Rent		29.86		62.96
Rates and taxes		37.20		38.87
Insurance		4.36		7.30
Repairs and maintenance				
– Buildings		0.07		0.20
– Machinery		2.52		2.44
– Others		1.54		5.43
Printing and stationery		6.34		4.90
Communication expenses		18.93		16.60
Travelling		42.45		49.20
Auditors' remuneration		2.37		2.65
Outward freight		184.21		228.38
Brokerage / commission		15.64		27.37
Distribution expenses		83.71		105.43
Discounts and quality rebates		28.37		39.70
Legal charges		1.29		1.88
Professional charges		28.26		21.27
Advertisement and sales promotion		124.49		133.95
Amortisation of miscellaneous expenditure		5.26		5.26
Impairment of fixed assets		3.64		0.91
Miscellaneous expenses		27.15		31.79
Provision for doubtful advances		0.82		4.64
Provision for doubtful debts		0.36		73.51
Production and farm expenses (net)		1.14		3.79
Royalty		2.11		7.11
Profit on fixed assets discarded / sold (net)		(4.76)		(0.67)
		970.20		1,228.06
Deduct: Recovery of costs		0.25		0.79
		969.95		1,227.27

*Contribution to Superannuation Fund is net of adjustment amounting to Rs. 3.89 million (2005 – Rs. 7.87 million) made out of contributions made in the earlier years lying in the forfeiture account of the retiral benefit fund books



SCHEDULES TO THE ACCOUNTS

	For the year ended 31st March, 2006		For the year ended 31st March, 2005	
	Rs. Millions	Rs. Millions	Rs. Millions	Rs. Millions
17. Interest and Finance Charges				
Interest Cost				
- Other Interest		25.55		42.66
- Bank / Finance Charges		9.56		10.33
- Exchange Loss (net)		4.64		13.10
		<u>39.75</u>		<u>66.09</u>
Less: Interest received on Loans, Deposits, Advances etc.*		0.35		7.94
		<u>39.40</u>		<u>58.15</u>
		<u>39.40</u>		<u>58.15</u>

* Interest received on Loans, Deposits, Advances etc., is stated Gross, the amount of Income Tax deducted thereon is Rs. 0.18 million (2005 – Rs. 0.42 million)





SCHEDULES TO THE ACCOUNTS

18. NOTES TO THE ACCOUNTS

- (i) The Consolidated financial statements of the Company for the year ended 31 March, 2006 comprise the Company (Agro Tech Foods Limited), its wholly owned subsidiary Heera Seeds Trading and Warehousing Limited (incorporated in India); and the Company's proportionate share (50%) in Jointly Controlled Entity, Advanta India Limited (incorporated in India) upto 31st July 2005. These entities have together been referred to as the 'Group' for disclosure purpose.

The consolidated financial statements have been prepared in accordance with Accounting Standard ("AS") 21, "Consolidated Financial Statements", and AS 27, "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

The Company has sold its long term investment in Advanta India Limited (AIL) on 31st July, 2005, which is considered no longer strategic. Accordingly AIL ceased to be a Joint Venture of the Company from 1st August, 2005. The Company has recognised in the consolidated financial statements a profit of Rs.67 million arising on such sale, being the difference between sale consideration of Rs.288.15 million and the Company's share in Net Asset Value of AIL as at that date of Rs.157.68 million and after adjusting goodwill recognised on acquisition of Rs.63.47 million. Further, consequent to the sale the Company's share in the reserves of AIL, i.e. State Investment Subsidy Reserve of Rs.1.00 million and Contingency Reserve of Rs.51.40 million have been transferred to the Profit and Loss Account.

- (ii) Capital and other commitments Rs.0.89 million (2005 - Rs.1.19 million).

- (iii) Contingent Liabilities –

- a) Income Tax matters under appeal - Income Tax matter on Slump sale of Mantralayam undertaking relating to Assessment Year 1997-1998 Rs.128.70 million (2005 - Rs.128.70 million), demand for payment of tax under the Provisions of Section 115 JB of the Income Tax Act, 1961 relating to Assessment Year 2002-2003 Rs.0.66 million (2005 – Rs.0.66 million) and Income Tax matters under appeal for Assessment Years 1999-2000 to 2002-2003 Rs. Nil (2005 – Rs.33.13 million).
- b) Other matters under appeal –
- i) Sales Tax demand on stock transfers Rs. 0.30 million (2005 – Rs. Nil).
- ii) Entry Tax on Crude Oil in the state of Rajasthan Rs. 36.87 million (2005 – Rs. Nil).
- iii) Excise duty on pet bottles manufactured by job workers Rs.1.60 million (2005 – Rs. Nil).
- c) Claims under dispute Rs. Nil (2005 – Rs. 3.76 million).
- d) Counter Guarantees given to the Bankers in respect of guarantees furnished by them Rs. 1.18 million (2005 – Rs. 0.73 million).

- (iv) Extraordinary Items (net) comprise of –

- a) Mantralayam undertaking license arrangement Settlement Cost

The Company had a license arrangement in respect of Mantralayam undertaking owned by ITC Limited (ITC) which expired on 26th September 2001. The matter pertaining to extension of such arrangement was referred to arbitration and accordingly a settlement agreement was signed with ITC, which resolved the matter involving the extension of licensing arrangement. This settlement required a payment of Rs. 430.00 million over a period of five years. It was decided that this settlement cost to be amortised on the basis of enduring benefits expected in future due to decentralisation of manufacturing operations and accordingly Rs. 180.50 million was amortised till the last financial year i.e. 2004-05, including Rs. 89.10 million for the year ended 31st March 2005.

The Company was able to negotiate better costs due to increased capacity creation at ports leading to higher unutilised capacities in the hinterland where the Company has tied up capacities. Consequently, the enduring benefits due to decentralisation of manufacturing operations were reviewed during the current financial year which indicate that the cumulative benefits from decentralised operations have exceeded

the settlement cost (of Rs.430.00 million) paid/payable to ITC. Therefore, the unamortised settlement cost of Rs.249.50 million is charged as an extraordinary item in these accounts. Further, an amount of Rs.160.40 million (2005-Rs.249.50 million) being unpaid settlement cost has been shown under Deferred Payment Liability in the Balance Sheet.

b) Sale of investments in Advanta India Limited

An extraordinary income of Rs.67 million (2005 - Rs.Nil) being the profit on sale of long-term investment in Advanta India Limited, for a consideration of Rs 288.15 million (2005 - Rs. Nil) which is considered no longer strategic – Refer note (i) above

(v) Investment Allowance Reserve

Investment Allowance Reserve aggregating Rs.9.20 million created during the Financial Year 1991-92 has been transferred during the year to the Profit and Loss Account, as the same has been utilised for acquisition of new plant and machinery as required under the relevant Provisions of the Income Tax Act,1961

(vi) Intangible Assets

Brands purchased by the Company are being amortised on straight line method based on their estimated useful life. Consequently, amortisation cost for the year includes a sum of Rs. 9.28 million (2005 - Rs. 9.28 million) being the amortisation relating to these brands. On the Balance Sheet date, the management has assessed the value of these brands through an independent valuer of repute to ensure that the recoverable amount of these assets are not lower than their carrying amounts.

(vii) Earnings Per Share

The earnings considered in ascertaining the Company's Earnings Per Share comprise net profit after tax (and includes the post tax effect of any Extraordinary Items). The number of shares (nominal value of Rs. 10) used in computing Basic Earnings Per Share is the weighted average number of shares outstanding during the year.

Computation of Earnings Per Share (EPS):

	For the year ended 31st March,2006 Rs. Millions	For the year ended 31st March,2005 Rs. Millions
Profit Before Extraordinary Items	139.84	94.36
Net Profit / (Loss) After Extraordinary Items	(42.66)	5.26
Weighted Average No.of Equity Shares of Rs.10 each	24,369,264	24,369,264
EPS (Basic and Diluted)		
— before Extraordinary Items (Rs.)	5.74	3.87
— after Extraordinary Items (Rs.)	(1.75)	0.22

(viii) Related Party Transactions

	For the year ended 31st March, 2006 Rs. Millions	For the year ended 31st March, 2005 Rs. Millions
1. Companies		
– CAG-Tech (Mauritius) Limited - Holding Company (Refer Note (a) below)		
– ConAgra Foods Inc		
– Tiger Management Services		
– Lamb Weston Meijer & Inc		
] Having significant influence	
– Advanta India Limited (Joint venture upto 31st July 2005)		
Transactions with ConAgra Foods Inc,		
– Purchase of materials	36.48	14.75
– Stock in transit	8.83	–
– Recovery of expenses	4.36	6.04
– Income earned on services rendered	2.43	6.42
Year end balances		
– Receivable	–	3.28
– Payable	–	0.90
Transactions with Tiger Management Services		
– Payment of Travel Expenses	0.50	0.18
Transactions with Lamb Weston Meijer & Inc		
– Purchase of materials	11.34	1.06
Year end balances		
– Payable	1.74	–
Transactions with Advanta India Limited		
– Dividend received	–	31.50
Year end balances		
– Receivable	–	22.05
– Payable	–	0.04

2. Key Management Personnel

Whole time Director – Mr. Tushar I Chudgar

Other Key Management Personnel

Mr. Utpal Sen Gupta

Mr. Arvind Ahuja

Mr. Ravi Krishnamoorthy

Mr. Madhusudan Manvi

Mr. K.S. Shyam

Mr. Atul Sinha

Mr. D. Mullick

Loans advanced during year	–	0.06
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Loans repaid during the year	0.02	1.16
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Loans outstanding	0.51	0.53
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Remuneration (Refer notes (b), (c) and (d) below)	35.55	37.11
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Notes:

(a) CAG-Tech (Mauritius) Limited, which held 51% shares in the Company (i.e. 12,500,000 shares), sold 3% shares resulting in reduction of its stake to 48% (i.e. 11,723,154 shares). With these changes CAG-Tech (Mauritius) Limited ceased to be the holding company during the current year.

(b) Remuneration as given above does not include leave encashment benefit accrued and gratuity benefit accrued since the same are computed actuarially for all the employees and the amounts attributable to the managerial personnel cannot be ascertained separately.

(c) The above remuneration includes remuneration aggregating Rs.0.50 million paid to the key managerial personnel of the jointly controlled entity, which although within the overall limit approved by the Central Govt., has exceeded the approved component of basic salary by Rs.0.04 million.

(d) Remuneration includes performance bonus paid during the year.



Agro Tech Foods Limited

(ix) Segment Reporting

1. The Group considers business segments as the primary segment for reporting. Based on the nature of products and services risks and returns, organisation structure and internal financial reporting, the following segments have been identified
 - Branded Foods segment includes products sold under the brands of Sundrop, Crystal, Rath, Sudham, Healthy World and ACT II
 - Bulk & Processed Commodities segment includes oils and grains procured, processed and distributed by the Commodity Sourcing & Exports and the Seed Buying Operations
 - Others (consisting of seed operations of joint venture Advanta India Ltd)

Rs. Millions

	Branded Foods		Bulk & Processed Commodities		Others		Unallocable		Eliminations		Consolidated	
	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006 (Upto 31st July 2005)	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005	31st March 2006	31st March 2005
Revenue												
External Sales	4,869.52	5,103.05	4,509.65	5,319.70	160.27	255.59	-	-	-	-	9,539.43	10,678.35
Inter Segment Revenue	7.80	0.33	1,466.90	1,849.40	-	-	-	-	(1,474.70)	(1,849.73)	-	-
Total Revenue	4,877.32	5,103.38	5,976.54	7,169.10	160.27	255.59	-	-	(1,474.70)	(1,849.73)	9,539.43	10,678.35
Result	156.40	159.46	86.61	(22.02)	44.59	38.13	-	-	-	31.50	287.60	144.07
Unallocated Corporate Expenses	-	-	-	-	-	-	86.24	5.16	-	-	86.24	5.16
Interest & Finance Costs	-	-	-	-	-	-	-	-	-	-	39.40	58.15
Profit Before Tax											161.96	80.76
Provision for Tax												
Current											8.67	7.85
Fringe Benefit Tax											11.09	-
Deferred											2.36	(21.45)
Profit before Extraordinary Items											139.84	94.36
Extraordinary Items											182.50	89.10
Net Profit/(loss)											(42.66)	5.26
Other Information												
Segment Assets	685.92	770.28	680.68	618.83	-	-	-	-	-	-	1,366.60	1,389.11
Unallocated Corporate Assets	-	-	-	-	-	243.53	241.88	629.77	(14.81)	(60.32)	227.07	812.98
Total Assets	685.92	770.28	680.68	618.83	-	243.53	241.88	629.77	(14.81)	(60.32)	1,593.67	2,202.09
Segment Liabilities	357.11	474.78	220.04	341.56	-	-	-	-	-	-	577.15	816.34
Unallocated Corporate Liabilities	-	-	-	-	-	124.54	214.93	430.95	-	(14.82)	214.93	540.68
Total Liabilities	357.11	474.78	220.04	341.56	-	124.54	214.93	430.95	-	(14.82)	792.08	1,357.02
Depreciation/Amortisation	14.56	14.97	0.83	1.02	-	-	-	-	-	-	15.39	15.99
Unallocated Corporate Depreciation	-	-	-	-	2.23	6.72	7.67	8.73	-	-	9.90	15.45
Total Depreciation/Amortisation	14.56	14.97	0.83	1.02	2.23	6.72	7.67	8.73	-	-	25.29	31.44
Capital Expenditure	4.07	6.92	0.87	0.21	-	-	-	-	-	-	4.94	7.12
Unallocated Corporate Expenditure	-	-	-	-	-	4.66	3.23	1.82	-	-	3.23	6.48
Total Capital Expenditure	4.07	6.92	0.87	0.21	-	4.66	3.23	1.82	-	-	8.17	13.60
Non-Cash Expenditure	1.73	1.38	-	3.46	-	-	-	-	-	-	1.73	4.84
Unallocated Corporate Expenditure	-	-	-	-	-	1.30	8.35	11.82	-	-	8.35	13.12
Total Non-Cash Expenditure	1.73	1.38	-	3.46	-	1.30	8.35	11.82	-	-	10.08	17.95

2. Allocation of segment assets and liabilities have been done to the maximum extent possible.

3. Geographical Segments considered for disclosure are

- Sales within India
- Sales outside India

The entire activity pertaining to sales outside India is carried out from India.

4. Inter segment sales are accounted for at market prices.

Based on geographical segments identified there is no item to be reported under this, since the information pertaining to segments results, assets and liabilities and sales outside India is below the threshold limit.



(x) The Company's interest in the Jointly Controlled Entity included in the Consolidated Financial Statements

	As at 31st March 2006	As at 31st March 2005
	Rs.Millions	Rs.Millions
Fixed Assets	-	62.00
Investments	-	0.03
Current Assets	-	181.51
Current Liabilities and Provisions	-	114.83
Deferred Tax Liability	-	9.72
Reserves and Surplus	-	87.49
	For the year ended	For the year ended
	31 March, 2006	31 March, 2005
	Rs. Millions	Rs. Millions
Income	160.78	261.76
Expenses	114.24	213.36
Depreciation	2.23	6.72

(xi) Comparative figures of the previous year have been regrouped wherever necessary to conform to those of the current year.

On behalf of the Board

Utpal Sen Gupta
President

Lt. Gen D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Secunderabad
Date : 1st May, 2006



Consolidated Cash Flow Statement for the year ended 31st March, 2006

	2006 Rs. Millions	2005 Rs. Millions
A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Loss before Tax and after Extraordinary Items	(20.54)	(8.32)
Adjustments:		
Depreciation / Amortisation	25.29	31.44
Profit on Disposal of Fixed Assets (net)	(4.76)	(0.67)
Profit on Sale of Investments (net)	(0.27)	(0.63)
Interest (net)	25.20	34.21
Provision for Doubtful Debts	0.36	73.51
Provision for Doubtful Advances	0.82	4.64
Amortisation of Miscellaneous Expenditure	5.26	5.26
Extraordinary items (net)	182.50	89.10
Impairment provision	3.64	0.91
Dividend Received	-	(0.16)
Foreign exchange loss	4.64	12.91
Operating Profit before Working Capital Changes and Extraordinary Items	222.14	242.20
Adjustments for:		
Trade and Other Receivables	27.90	53.30
Inventories	(47.19)	403.37
Trade Payables	28.36	(525.50)
Cash from Operations before Extraordinary Item	231.21	173.37
Income Taxes Paid	(19.27)	(9.59)
Net Cash from Operating activities before Extraordinary Item	211.94	163.78
Extraordinary Item (Refer note (iv)(a) on Schedule 18)	(89.10)	(89.10)
Net Cash Flow from Operating activities	122.84	74.68
B. CASH FLOW FROM INVESTING ACTIVITIES :		
Purchase of Fixed Assets	(8.21)	(13.60)
Sale of Fixed Assets (net)	23.63	7.52
Purchase of Short Term Investments	(189.00)	(1,747.09)
Sale of Short Term Investments	189.26	1,747.73
Dividend Received	-	0.16
Interest Received	0.35	4.51
Proceeds from sale of long term investments	0.02	-
Net cash from / (used in) Investing Activities before Extraordinary Item	16.05	(0.77)
Extraordinary Item (Refer note (iv)(b) on Schedule 18)	288.15	-
Net cash from / (used in) Investing Activities	304.20	(0.77)

	2006 Rs. Millions	2005 Rs. Millions
C. CASH FLOW FROM FINANCING ACTIVITIES:		
Dividend Paid	-	(9.45)
Dividend Tax Paid	(3.09)	(1.23)
Proceeds from short term loans	3,122.50	2,422.23
Repayments of short term loans	(3,482.49)	(2,672.44)
Proceeds from/(Repayments of) other Borrowings	(50.29)	246.62
Hedging Costs (net)	(3.68)	(12.60)
Interest Paid	(25.55)	(42.14)
Net cash used in Financing Activities	(442.60)	(69.01)
Net (Decrease) / Increase in Cash and Cash Equivalents	(15.56)	4.90
Opening Cash and Cash Equivalents	61.66	56.76
Effect of sale of investments in Advanta India Ltd on Cash and Cash Equivalents	(10.08)	-
Closing Cash and Cash Equivalents	36.02	61.66

Notes:

- Comparative Figures of previous year have been regrouped to conform to those of the current year
- The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard - 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

On behalf of the Board

Tuhin Bagchi
Partner
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Utpal Sen Gupta
President

Lt. Gen. D.B. Singh
Director

Sanjaya Kulkarni
Director

Tushar Chudgar
Director & Secretary

Place : Hyderabad
Date : 1st May, 2006

Place : Secunderabad
Date : 1st May, 2006



Agro Tech Foods Limited

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AGRO TECH FOODS LIMITED

1. We have audited the attached Consolidated Balance Sheet of Agro Tech Foods Limited and its subsidiary and the jointly controlled entity ("the Group") as at March 31, 2006, the related Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These Consolidated Financial Statements are the responsibility of Agro Tech Foods Limited's ("the Company") Management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these Consolidated Financial Statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of the jointly controlled entity, whose financial statements reflect the Group's share of total assets of Rs. Nil as at July 31, 2005 (refer note 1 on Schedule 18 to the financial statements), and total revenue of Rs. 160 million and net cash flows amounting to Rs. 10 million for the four months ended on that date as considered in the consolidated financial statements. The financial statements and other information of the jointly controlled entity has been subjected to a limited review by us and our opinion, insofar as it relates to the amounts included in respect of this jointly controlled entity is based solely on such review.
4. We report that the Consolidated Financial Statements have been prepared by the Company's Management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Ventures, issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of limited review on separate financial statements and on the other financial information of the jointly controlled entity, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of the Consolidated Balance Sheet, of the consolidated state of affairs of the Group as at March 31, 2006;
 - b) in the case of the Consolidated Profit and Loss Account, of the loss for the year ended on that date; and
 - c) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Place: Hyderabad
Dated: May 1, 2006

Tuhin Bagchi
Partner
Membership Number 50497
For and on behalf of
Lovelock & Lewes
Chartered Accountants

Agro Tech Foods Limited

Heera Seeds Trading and Warehousing Limited

DIRECTORS' REPORT TO THE MEMBERS

The Directors are pleased to present the Sixteenth Annual Report for the financial year ended 31st March, 2006 together with the Balance Sheet and the Profit and Loss Account.

Operations:

During the year under review, the Company did not undertake any trading / Manufacturing Operations. As stated in the report for last year, the Company is exploring various viable business options for entry in the near future. The operating results are as under.

	2005 - 2006 Rupees	2004 - 2005 Rupees
Profit / (Loss) before Taxation	(15,125)	(16,871)
Income Tax	-	-
Profit / (Loss) after Tax	(15,125)	(16,871)
Profit brought forward	(5,176,995)	(5,160,124)
Profit / (Loss) available for Appropriation and carried forward.	(5,192,120)	(5,176,995)

Directors

Shri Madhusudan Manvi was appointed as a Director of the Company in terms of Section 262 of the Companies Act, 1956 with effect from 10th May, 2005 in the vacancy caused by the resignation of Shri Partha Datta Gupta.

Shri P. Mani was appointed as an Additional Director of the Company in terms of Section 260 of the Companies Act, 1956 with effect from 3rd February, 2006. He holds office upto the ensuing Annual General Meeting. Notice together with the deposit, as required under Section 257 of the Companies Act, 1956 has been received from a Member proposing the appointment of Shri P. Mani as Director of the Company at the Annual General Meeting.

Pursuant to Section 255 of the Companies Act, 1956, Shri Arvind Ahuja retires at the Sixteenth Annual General Meeting and being eligible offers himself for re-appointment.

Directors' Responsibility Statement

As per the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors state:

- That in the preparation of the annual accounts for the year ended 31st March 2006, the applicable accounting standards have been followed and that no material departures have been made from the same.
- They have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year ended 31st March, 2006, and at the loss of the Company for that period.
- They have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- They have prepared the annual accounts for the year ended 31st March, 2006, on a going concern basis.

Auditors

The Auditors of the Company, Lovelock & Lewes, Chartered Accountants, hold office till the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. The Company has received a Certificate from them to the effect that their re-appointment if made, would be within the limits prescribed under Section 224(1) of the Companies Act, 1956.

Companies (disclosure of particulars in the report of board of directors) rules, 1998

The Company had no activities relating to the Conservation of Energy, Technology Absorption and did not have any foreign exchange earnings or outflow during the year under review.

Particulars of Employees

The Company had no employee covered by Sub section (2A) of Section 217 of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules 1975

Acknowledgement

Yours Directors wish to place on record their appreciation for the contribution and support received from various agencies during the year.

On Behalf of the Board

Arvind Ahuja
Director

Madhusudhan Manvi
Director

Mangipudi Phani
Secretary

Place: Secunderabad
Date: 28th April, 2006

AUDITORS' REPORT TO THE MEMBERS OF HEERA SEEDS TRADING AND WAREHOUSING LIMITED

- We have audited the attached Balance Sheet of Heera Seeds Trading and Warehousing Limited, as at March 31 2006, the related Profit and Loss Account and Cash Flow Statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- As required by the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of 'The Companies Act, 1956' of India (the 'Act') and on the basis of such checks of the books and records of the Company as we considered appropriate and according to the information and explanations given to us, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
- Further to our comments in paragraph 3 above, we report that:
 - We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;
 - On the basis of written representations received from the directors, as on March 31 2006 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2006 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
 - In our opinion and to the best of our information and according to the explanations given to us, the said financial statements together with the notes thereon and attached thereto give in the prescribed manner the information required by the Act and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - in the case of the Balance Sheet, of the state of affairs of the Company as at March 31 2006;
 - in the case of the Profit and Loss Account, of the loss for the year ended on that date, and
 - in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Tuhin Bagchi

Partner

Membership Number 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Place: Hyderabad
Date: April 28, 2006



Agro Tech Foods Limited

ANNEXURE TO THE AUDITORS' REPORT TO THE MEMBERS OF HEERA SEEDS TRADING AND WAREHOUSING LIMITED

(Referred to in paragraph 3 of the Auditors' Report of even date to the members of Heera Seeds Trading and Warehousing Limited on the financial statements as at and for the year ended March 31, 2006)

1. The Company has neither granted nor taken any loans, secured or unsecured, to / from companies, firms or other parties covered in the register maintained under Section 301 of the Act. As the Company has not granted / taken any loan, secured or unsecured to / from Companies, firms or other parties covered in the register maintained under Section 301 of the Act, Clauses iii(b), iii(c), iii(d), iii(f) and iii (g) of the Companies (Auditor's Report) Order, 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable to the Company for the current year.
2. According to the information and explanations given to us, there have been no contracts or arrangements referred to in Section 301 of the Act during the year to be entered in the register required to be maintained under that Section. Accordingly commenting on transactions made in pursuance of such contracts or arrangements does not arise.
3. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Act and the rules framed there under.
4. The Company did not have an internal audit system during this year.
5.
 - a) According to the information and explanations given to us, and the records of the Company examined by us, in our opinion, the Company is regular in depositing other material undisputed statutory dues, as applicable with the appropriate authorities. Further, according to the information and explanations given to us, provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, custom duty, excise duty and cess are not applicable to the Company for the current year.
 - b) According to the information and explanations given to us, and the records of the Company examined by us, there are no dues of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess, which have not been deposited on account of any dispute.
6. The Company has accumulated losses as at March 31, 2006 and has incurred cash losses in the financial year ended on that date and in the immediately preceding financial year.
7. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on a short-term basis, which have been used for long-term investment.
8. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of fraud on or by the Company, noticed or reported during the year nor have we been informed of such case by the management.
9. The other clauses, (i), (ii), (iv), (viii), (xi), (xii), (xiii), (xiv), (xv), (xvi), (xviii), (xix) and (xx) of paragraph 4 of the Companies (Auditor's Report) Order 2003, as amended by the Companies (Auditor's Report) (Amendment) Order, 2004, are not applicable in the case of the Company for the current year, since in our opinion there is no matter which arises to be reported in the aforesaid order.

Tuhin Bagchi

Partner

Membership Number 50497

For and on behalf of

Lovelock & Lewes

Chartered Accountants

Place: Hyderabad
Date: April 28, 2006

Statement on Significant Accounting Policies

The Financial Statements have been prepared on the basis of going concern, under the historic cost convention on accrual basis to comply in all material aspects with applicable accounting principles in India, the Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

Fixed Assets

Fixed Assets are accounted for at cost of acquisition inclusive of inward freight, duties, taxes and incidentals related to acquisition.

Depreciation is provided for in the accounts on straight line method at the rates computed in accordance with Schedule XIV of the Companies Act, 1956.

Investments

All Investments are stated at cost. Income from Investments is recognised in the accounts in the year in which it is accrued and stated at gross values.

Inventories

Inventories are valued at weighted average cost or below. Consumption and / or other stock diminution is accounted for at the aforesaid weighted average cost. In the case of finished goods, cost comprises material, labour and applicable overhead expenses and duties including excise duty paid / payable thereon.

Goods in transit / with third parties are valued at cost which represents the costs incurred up to the stage at which the goods are in transit / with third parties.

On Behalf of the Board

Arvind Ahuja
Director

Madhusudhan Manvi
Director

Mangipudi Phani
Secretary

Place: Secunderabad
Date: 28th April, 2006



Agro Tech Foods Limited

Heera Seeds Trading and Warehousing Limited

Balance Sheet as at 31st March, 2006

	Schedules	31st March, 2006 Rupees	31st March, 2005 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	1	20,000,000	20,000,000
		<u>20,000,000</u>	<u>20,000,000</u>
APPLICATION OF FUNDS			
Current Assets,			
Loans & Advances			
Sundry Debtors	2	7,193,941	7,208,961
Cash & Bank Balances	3	58,159	58,264
Loans & Advances	4	7,571,116	7,571,116
		<u>14,823,216</u>	<u>14,838,341</u>
Less: Current Liabilities & Provisions			
Liabilities	5	11,020	11,020
Provisions		4,316	4,316
		<u>15,336</u>	<u>15,336</u>
Net Current Assets		14,807,880	14,823,005
Profit and Loss Account		<u>5,192,120</u>	<u>5,176,995</u>
		<u>20,000,000</u>	<u>20,000,000</u>

Notes to the Accounts 7

Profit and Loss Account for the year ended 31st March, 2006

	Schedules	For the Year ended 31st March, 2006 Rupees	For the Year ended 31st March, 2005 Rupees
Income			
Other Income		—	—
		<u>—</u>	<u>—</u>
Expenditure			
Administration, expenses	6	15,125	16,871
		<u>15,125</u>	<u>16,871</u>
Loss before Taxation		(15,125)	(16,871)
Provision for Taxation		—	—
Loss after Taxation		(15,125)	(16,871)
Loss brought forward		(5,176,995)	(5,160,124)
Deficit carried forward to Balance Sheet		<u>(5,192,120)</u>	<u>(5,176,995)</u>
Earnings Per Share			
Basic and Diluted		(0.01)	(0.01)
(Refer Note (ii) on Schedule 7)			
Notes to the Accounts	7		

The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Balance Sheet

This is the Balance Sheet referred to in our report of even date

On behalf of the Board
Tuhin Bagchi Partner
 For and on behalf of
Lovelock & Lewes
 Chartered Accountants
 Arvind Ahuja Director
 Madhusudan Manvi Director
 Mangipudi Phani
 Company Secretary

Place: Hyderabad
Date: 28th April, 2006

Place: Secunderabad
Date: 28th April, 2006

Note: The Schedules referred to above and the Statement on Significant Accounting Policies form an integral part of the Profit and Loss Account

This is the Profit and Loss Account referred to in our report of even date

On behalf of the Board
Tuhin Bagchi Partner
 For and on behalf of
Lovelock & Lewes
 Chartered Accountants
 Arvind Ahuja Director
 Madhusudan Manvi Director
 Mangipudi Phani
 Company Secretary

Place: Hyderabad
Date: 28th April, 2006

Place: Secunderabad
Date: 28th April, 2006

Agro Tech Foods Limited

Heera Seeds Trading and Warehousing Limited

Schedules to the Accounts

	31st March, 2006 Rupees	31st March, 2005 Rupees
1. Capital		
Authorised:		
2,000,000 Equity Shares of Rs. 10/- each	20,000,000	20,000,000
Issued and Subscribed:		
2,000,000 Equity Shares of Rs. 10/- each fully paid	20,000,000	20,000,000
(The above Shares are held by the Holding Company, Agro Tech Foods Ltd. and its Nominees)	20,000,000	20,000,000
2. Sundry Debtors		
(Unsecured – Considered good) Debts outstanding for a period exceeding six months* (*Represents amount due from Holding Company)	7,193,941	7,208,961
	7,193,941	7,208,961
3. Cash and Bank Balances		
Cash on hand	711	711
With Scheduled Banks		
– on Current Account	57,448	57,553
	58,159	58,264
4. Loans and Advances		
(Unsecured – Considered good) Advances recoverable in cash or in kind or for value to be received* (*Represents amount due from Holding Company)	7,571,116	7,571,116
	7,571,116	7,571,116
5. Current Liabilities & Provisions		
A. Liabilities		
Sundry Creditors due to		
– Small Scale Industrial undertaking	—	—
– Others	11,020	11,020
	11,020	11,020
B. Provisions		
Provision for Taxation (net of advance payment)	4,316	4,316
	4,316	4,316
6. Administration, Expenses		
Rates and Taxes	4,000	2,500
Auditors' Remuneration		
– Audit Fee	11,020	11,540
Bank Charges	105	2,831
	15,125	16,871

7. Notes to Accounts

- i) The Company is exploring various viable business options and as a result, these financial statements have been prepared on a going concern basis.
- ii) Earnings Per Share
The earning considered in ascertaining the Company's Earnings Per Share comprise net loss after tax.
The number of shares (nominal value of Rs.10) used in computing Basic and

Diluted Earning Per Share is the weighted average number of shares outstanding during the year.

Computation of Earnings Per Share (EPS):

	For the year ended 31st March, 2006 Rs.	For the year ended 31st March, 2005 Rs.
Net Loss After Tax	(15,125)	(16,871)
Weighted Average No. of Equity Shares of Rs. 10 each	2,000,000	2,000,000
EPS (Basic and Diluted)	(0.01)	(0.01)
iii) Related Party Transactions		
Holding Company		
Agro Tech Foods Limited		
Expenses paid on behalf of the Company	15,020	13,520
Year end balance - Receivable	14,765,057	14,780,077
iv) Segment Information		
As the Company has not carried out any business operations during the year, presentation of segment information, in the context of Accounting Standard 17 issued by the Institute of Chartered Accountants of India, is not applicable.		
v) Information with regard to matters specified in clauses 3.4, 4A, 4B, 4C and 4D of Part II of Schedule VI of the Companies Act, 1956 to the extent that they are either 'NIL' or 'Not applicable' to the Company, has not been given.		
vi) Comparative figures of the previous year have been regrouped, wherever necessary, to conform to those of the current year.		

On behalf of the Board

Arvind Ahuja
Director

Madhusudan Manvi
Director

Mangipudi Phani
Company Secretary

Place: Secunderabad
Date: 28th April, 2006

CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2006

	2006 Rs.	2005 Rs.
A. CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Loss before Tax and Extraordinary Items	(15,125)	(16,871)
Operating Loss before Working Capital Changes	(15,125)	(16,871)
Adjustments for:		
Sundry Debtors	15,020	13,520
Trade Payables	—	520
Cash Flow from Operations before Extraordinary Items	(105)	(2,831)
Extraordinary Items	—	—
Net Cash Flow from Operating activities	(105)	(2,831)
B. CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash from Investing Activities	—	—
C. CASH FLOWS FROM FINANCING ACTIVITIES :		
Net cash from Financing Activities	—	—
Net Decrease in Cash and Cash Equivalents	(105)	(2,831)
Opening Cash and Cash Equivalents	58,264	61,095
Closing Cash and Cash Equivalents	58,159	58,264

Notes:

- a) Comparative figures of previous year have been regrouped to conform to those of the current year.
- b) The above Cash Flow Statement has been prepared under the "Indirect Method" as set out in the Accounting Standard – 3 on Cash Flow Statements issued by the Institute of Chartered Accountants of India

On behalf of the Board

Tuhin Bagchi
Partner

Arvind Ahuja
Director

Madhusudan Manvi
Director

For and on behalf of
Lovelock & Lewes
Chartered Accountants

Mangipudi Phani
Company Secretary

Place: Hyderabad
Date: 28th April, 2006

Place: Secunderabad
Date: 28th April, 2006